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**PERFORMANCE INDICATORS
AND
THE MANAGEMENT OF FURTHER EDUCATION IN SCOTLAND**

SUBMITTED BY

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Finally, I would like to thank my friends and family for the support I have received from them over the years. This thesis would not have been realized without the support and patience of my wife Jean and my children, Elizabeth and Craig.

Abstract

The focus of this research is on New Public Management and the implementation of public policy with specific reference to the policy on performance indicators and the management of further education in Scotland. The thesis considers the body of literature on public policy implementation and the current state of knowledge of performance indicators and their use in public management in general and in further education in Scotland in particular. Scottish further education faced radical change in the period from 1990 and part of the change was the introduction by Government of prescribed performance indicators. This research examines the public policy-action relationship by considering the implementation of this policy with particular reference to the differences associated with the relationships between performance governance, performance management and consumerism. The empirical elements of this thesis comprise a study of stakeholder perception of the purpose and utility of performance indicators. From this empirical work conclusions are derived which relate to the main beneficiaries of performance indicators and the extent to which public policy is best understood from a 'top-down' or a 'bottom-up' perspective. The thesis concludes that neither of these perspectives is sufficient but both are necessary. The recognition of multiple stakeholder interest leads to a conclusion that implementation can only be examined by considering all stakeholder perceptions of the outputs and outcomes of the public policy on performance indicators in Scottish further education. Performance indicators are themselves a good reflection of the way in which NPM is evolving within public services.

GLOSSARY

ASC	Association of Scottish Colleges
CAST	Curriculum Advice and Support Team
COSLA	Convention of Scottish Local Authorities
CS	Client Satisfaction
FTE	Full Time Equivalent
LECs	Local Enterprise Companies
NPM	New Public Management
PIs	Performance Indicators
QLT	Quality of Learning and Teaching
SARU	Student Achievement Ratio by Unit of Learning
SED	Scottish Education Department
SFEU	Scottish Further Education Unit
SFEFC	Scottish further Education Funding Council
SOEID	Scottish Office Education and Industry Dept.
SPAR	Student Programme Achievement Ratio
SRR	Student Retention Ratio
SSR	Staff Student Ratios
UCP	Unit Costs Profile
UTA	Utilisation of Teaching Accommodation

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PREFACE

Chronology of this Research Project

In 1989-90 I held discussions with Christopher Pollitt of the Open University and he agreed to act as my supervisor for the part-time Doctor of Philosophy degree. At that time I was promoted from the post of Lecturer in the Department of Management and Professional Studies at Bell College, Hamilton to a senior lectureship with responsibility for college-wide staff development. Christopher Pollitt subsequently moved to a professorship at Brunel University and the responsibility for research supervision passed to Professor David Potter of the Open University. A local research supervisor, Professor Lewis Gunn of the University of Strathclyde was appointed by the Open University in 1990. Between 1991 and 1998 I was in regular contact with Professor Gunn and met with Professor Potter annually. In 1998 both Professor Gunn and Potter retired and responsibility for supervision passed to Professor Richard Maidment of the Open University and to Colin Mair the Director of the Scottish Local Authorities Management Centre at the University of Strathclyde.

Progress was initially slow as a consequence of my secondments to the Scottish Office and the Scottish Further Education Unit in the early 1990s. In late 1992 I was appointed to the post of Staff Development Officer at Glasgow Caledonian University and was able to devote more time to the research. The focus of my research, performance indicators, was an emerging area within further education

and my empirical work depended heavily on ascertaining the reactions of stakeholders to the introduction and use of performance indicators in further education. The system largely developed in the period from 1994 onwards and the empirical work could not take place until the 1996-98 period.

In 1998 I was appointed to my present post of Senior Lecturer in Public Administration and Management at Glasgow Caledonian University. In 1999-2000 further empirical work was carried out focusing on operational managers and other stakeholders in the FE system. This research dissertation examines public policy implementation in the form of the implementation of performance indicators systems in Scottish further education. This topic combines my interests in policy analysis, performance indicators, public management and lifelong learning.

THESIS INTRODUCTION

1.The Utility of Research

The question of the usefulness of research is of particular significance in the field of public administration and management where an important test of the value of theory is its ability to help in both understanding and shaping real world action. Perry and Kraemer (1986) put forward two areas of study as being particularly important in public administration and management: the study of characteristics that distinguish public administration and management from other fields; and the political-administrative interface. The latter category includes policy implementation studies. Effective social policies require decision makers to be well informed about the issues, to have access to evidence based on properly conducted research, and to be responsive to the critical analysis of individuals and groups representing legitimate interests (Bryce and Humes, 1999).

This thesis provides evidence based on properly conducted research in the academic field of public policy implementation with a specific focus on the implementation of performance indicators in Scottish further education.

1. Lifelong Learning

In the present economic environment a high quality workforce is a major advantage for countries, for enterprises and for the effectiveness of public and not-for-profit organisations. Lifelong learning is an indispensable instrument for improving labour mobility, adaptability and productivity. In order to adjust to the current environmental demands, most countries, both developed and developing are now in the process of

reviewing, adapting and sometimes re-designing their education and training systems. According to Caillods (1994), countries reforming their lifelong learning systems face the same basic questions and often appear to be coming up with the same answers including greater autonomy in the management and financing of lifelong learning institutions. In Scottish further education the movement towards greater autonomy began in 1989 with the introduction of the 'College Control Principle' and it was around this time that I was seconded to the Scottish Office with specific responsibility for management development in further education. I had been interested in identifying a topic for doctoral research and this area of policy change in lifelong learning appeared to offer possibilities particularly in relation to access to information.

2. Public Policy Implementation

Scottish lifelong learning policy in the period from 1989 represents a clear example of change being externally imposed on the further education system. Barrett and Fudge (1981) argue that the policy-action relationship needs to be regarded as a process of interaction and negotiation, taking place over time, between those seeking to put policy into effect and those upon whom action depends. Within the broad lifelong learning policy changes there are a number of specific policy areas. In particular further education colleges were required to make use of systems of performance measurement utilising prescribed suites of performance indicators.

The system of further education in Scotland presents an opportunity to examine the interface between policy and its implementation. Public policy initiatives invariably imply change through the manipulation of a large-scale system making use of

variables such as changes in legislative provision, changes in funding patterns and changes in organisation structures. This study of policy implementation in Scottish further education demonstrates all three-system variables. The Further and Higher Education (Scotland) Act 1992 changed the legislative provisions governing further education. Funding moved from being a local authority responsibility to direct funding initially from the Scottish Office and, since 1999, from the Scottish Further Education Funding Council. Organisation structures also changed from further education being a sub-division of the education service to that of incorporated colleges as independent providers of further education services.

5. Performance Indicators: A Working Definition

Initially, my own working definition of the term 'PIs' was as follows: Information for organisational and comparative use, mainly in a quantified form, on aspects of organisational input, activity, output and outcome; that focuses on the actual past, the present and the projected future of the organisation as an aid to assessing the extent to which the organisation is pursuing and attaining its mission and objectives in an effective and efficient manner.

6. The Research Focus

This research considers the relationship between the key elements of the New Public Management and performance indicators systems. The particular focus of this research is on user perceptions of the implementation of performance indicators in Scottish further education. Within the public policy on lifelong learning there is specific public policy provision on performance indicators and it is this policy area that provides the focus of this research. Government publications entitled

Measuring Up (SED, 1990), On Target (SED, 1991) and Quality and Efficiency (SOED, 1992) collectively prescribe suites of performance indicators and approaches to their utilisation and reporting. Subsequent modifications were contained in Scottish Office circulars and have amended both the indicators and their use. This study examines the perceptions of stakeholders, including managers in further education colleges, in relation to the implementation of performance indicators systems in Scottish further education through the period 1990-2000.

Performance measurement is important in all forms of organisation but in public sector organisations performance data and information is used by different groups for different purposes. Performance indicators provide data for processing into information on aspects of organisational performance. Government and funding organisations can make use of performance data and information for the purpose of performance governance, that is, to promote improvements to accountability and control in the public sector. Managers at all levels can make use of performance data and information for the purpose of promoting improvements in organisational effectiveness through better strategic and operational management. Performance indicators can also be used to assess the extent to which stakeholders are satisfied with public services. Performance indicators in this area are used as marketplace surrogates to develop consumerism, quality and responsiveness. Government and their agencies may be primarily interested in performance indicators as tools of performance governance. Members of Boards of Management and managers at all levels may be primarily interested in performance indicators as tools of performance management. Other stakeholders may regard performance indicators as providing essential information on college activity for the purposes of enhancing consumerism,

quality and responsiveness. This thesis examines the extent to which this interpretation of the utility of performance indicators is supported by empirical evidence and considers the policy-action continuum as a means of identifying the ways in which public policy on performance indicators is translated into action. A further product of this research will be the identification of who, according to stakeholders, benefits most from performance indicators and the extent to which the beneficiaries have changed over time.

7. The Value of this Research

My interpretation of much of the writing on performance indicators is that it generally does not address stakeholder perceptions of their utility, their benefits and their beneficiaries. There are few studies of the implementation of performance indicators. Writers have tended to comment on performance indicators based on their own limited, subjective experience. There is, as a consequence, insufficient objectivity in much of the existing literature. This study attempts to increase objectivity by conducting an empirical study of stakeholders attitudes to performance indicators in Scottish further education.

The value of this research is that it addresses an emerging development in public policy and public management, focuses on an under-researched area and seeks the views of a range of stakeholders in the further education system. These views are obtained following the implementation of the performance indicators system. In combination, these features deliver originality in performance indicators research and therefore make an original contribution to the existing body of knowledge on

public policy implementation and on the implementation of performance indicators systems.

8. Thesis Structure

Chapter I establishes the context of the study by examining a range of influencing factors at international and national levels. In particular the chapter considers public choice theory, New Public Management and their implications for performance indicators. Developments in performance governance, performance management and consumerism, quality and responsiveness are also considered in this chapter.

In Chapter II there is the literature survey and review on performance indicators and public policy implementation. The literature relevant to performance indicators is considered under five sectional headings: literature on the context of PIs; public policy implementation literature; general performance indicators literature; literature on the implementation of performance indicators; and the literature on performance indicators and the management of lifelong learning.

Chapter III contains an account of the research methodology by considering research paradigms, the research focus, and elements of the research methodology, the data collection methods and the data analysis process.

Chapter IV focuses on the development and management of the further education system in Scotland by initially taking a chronological look at the further education system before examining specific changes in performance indicators and further education management from the mid-1980s to the present (2000). This chapter is

largely derived from secondary sources and provides the essential background to an understanding of the complex and dynamic further education environment and the specific features of the performance indicators system.

In Chapter V the thesis develops into the first area of primary data and its analysis. This is the survey and interview programme of senior managers and members of Boards of Management. The group surveyed and interviewed all had an active responsibility for college-wide performance indicators.

Chapter VI contains the second major empirical element, the stakeholders interviews, employee and student focus group findings, the survey of operational managers and the three city centre college case studies.

In the final chapter (Chapter VII) the research findings are identified and considered in order to interrogate and develop the existing literature. As a consequence, conclusions are derived from the study, which make a meaningful contribution to the body of knowledge on New Public Management, performance indicators and public policy implementation. The thesis ends with the References and Appendices.

CHAPTER I

NEW PUBLIC MANAGEMENT AND PERFORMANCE INDICATORS

Introduction

In this initial chapter of the thesis, the link between performance indicators, Public Choice Theory and New Public Management is considered. Performance indicators, according to Carter (1991), are tools used by public managers and other stakeholders. They are not in themselves a component of an ideology and this chapter explores the relationship between PIs and the range of factors that have influenced their development.

The chapter begins in Section A by establishing the link between performance indicators (PIs), NPM and Public Choice Theory. Section B defines New Public Management (NPM) and examines its component features. In Section C the context of NPM and its emergence are reviewed. Section D focuses on NPM performance indicators and further education management by considering a range of influencing factors at international and national levels on the development and utilisation of PIs. This is a pre-requisite for understanding the roles of PIs and the significance of public policy on performance indicators. The chapter conclusion considers the implications of NPM for performance indicators under the headings of performance governance, performance management and consumerism.

General conclusions are derived from this contextualisation but these are limited at this stage in the thesis as subsequent chapters consider more specific influences on performance indicators and the management of further education in Scotland. This

chapter is based on the premise that performance indicators and the management of further education in Scotland have been subject to a range of influencing factors. Scottish further education is a system in the public domain and must therefore be subjected to the same influences as all other areas of public management. Scottish further education is an open system subject to influences at local, national and international levels. This chapter considers the diverse range of environmental influences on the FE system.

Section A: Public Choice Theory

1. The Origins of Public Choice Theory

Public Choice Theory uses the methods of neo-classical market economics to analyse politics and this approach, according to Carter (1998, p. 184), has encouraged the use of marketplace surrogates to improve public service provision. Public choice theory has developed from the theoretical arguments made by conservative market economists such as Hayek (1944) and Friedman (1980). The basic argument supporting public choice theory is that government bureaucracy restricts the freedom of choice and power of the individual and in addition the traditional bureaucratic model does not provide an equivalent structure of incentives and rewards to those of the market (Hughes, 1998, pp.46-50).

Government 'contracts' with providers of public services and in this quasi-contractual relationship requires information about the inputs, process, outputs and outcomes of the contracted service provider. In a monopoly supply situation there is a lack of information available on the extent to which the public service organisation is delivering value for money.

Public choice theory argues against 'big' government and its key assumption is a comprehensive view of rationality. The 'best' outcome will involve a maximum role for the market forces and a minimal role for government. If the role of government in supplying goods and services could be reduced, the economy as a whole would benefit. Markets, it is argued, have better mechanisms for accountability as opposed to a bureaucracy accountable to no one (Hughes, 1998, pp. 10-11).

2. The Impact of Public Choice Theory

One means by which governments can improve their understanding of the public service providers performance is to create competition in service provision. This often involves the use of competitive tendering processes to ensure that the service contract is awarded to the contractor that convinces the government that it provides the best value for money of those organisations tendering for the contract.

Theory assumes that by introducing the competitive dimension over the tendering process and following this up with performance monitoring, review and evaluation, the government can enhance the value for money demonstrated by public service providers.

In reality government determines the public expenditure committed to a particular service and using this theory derives the optimum output for a given level of input and thereby maximising the value for money gained from public expenditure.

Public choice theory advocates the maximisation of choice by individuals for both individual freedom and efficiency reasons. Dunleavy (1986, p. 3) argues that the 'rational actor' model assumes that people have the capability and the desire to

rationalise their public service consumption choices to maximise their benefits net of costs. Niskanen (1973, p. 23) argued that individual ambition leads to budget maximisation by the agency and to sub-optimisation within a public sector organisation as principal sub-division protect their own position at the expense of the well-being of the organisation as a whole.

Public choice arguments have been challenged by academics on the basis of a lack of evidence of bureaucrats maximising budgets to achieve their personal ends (Lane, 1995, pp. 64-65). Hughes (1998, p. 50) argues that public choice theory exaggerates the power of bureaucracy and disregards its public purpose.

The results of the application of public choice theory to governmental activity over a thirty-year period, according to Walsh (1995, pp.16-20), have been mixed. Markets do not work better under all circumstances but there is evidence that by using rational choice methods to design public policy may allow better targeting of expenditure.

3. Public choice Theory and Performance Indicators

Public Choice Theory when translated into managerial action implies the use of private sector management techniques within the public sector. Performance indicators are one such technique that can be used to aid the setting of unambiguous objectives. Thereafter governmental organisations and agencies can exercise hierarchical control and coordination of the activities of a public sector organisation through the use of performance indicators.

PIs can therefore be used to promote the relative position of the government (as contracting principal) in its relationship with the providers of public services. PIs can also be used to promote greater economy and efficiency while facilitating decentralisation and delegation. As Carter states:

A robust PI system is a pre-requisite for effective 'hands off' management. (1998, p. 189)

Managerialism has not produced greater flexibility and looser control within organisations. The result has been more of a question of the locus of control shifting from inputs to outputs (Hoggett, 1996). PIs can therefore act as an instrument of 'hands off' control in the post-bureaucratic New Public Management or they can support a rational systems model of control.

This thesis will research the perceptions of Scottish further education stakeholders of the system of performance indicators used in the FE system and assess the extent to which the locus of control of the FE system has shifted from inputs to outputs and the extent to which PIs are tools of government, tools of managers or instruments of empowering clients and other stakeholders.

Section B: The New Public Management (NPM)

1. NPM: A Definition

New Public Management is a summary description of the ways in which management practices in public sector organisations have reacted to the changes brought about by performance governance. NPM highlights the failures and inadequacies of public sector performance over time, and locates the problems as lying squarely in the nature and processes of public sector activity and public

administration. Centralised bureaucracies, waste and inefficiency in resource use; inadequate mechanisms of accountability and redress are all problems that NPM has sought to address.

According to Hood (1996, p. 271), NPM has come to identify a series of themes aimed at reforming the organisation and procedures of the public sector in order to make it more competitive and efficient in resource use and service delivery. These themes result in the seven doctrinal components identified by Hood (Ibid.): hands-on professional management; explicit standards of performance; greater emphasis on output controls; dis-aggregation of units; shift to greater competition; private sector styles of management; and greater discipline and economy in resource use.

2. From Public Policy and Public Administration to Public Management

A key influence on the relevance of management in the public sector was the work of the Plowden Committee (1961-63) on the Control of Public Expenditure. The recommendations of this committee heralded a series of reforms in public expenditure, planning and control and general economic management. Keeling (1973), argues that these post-Plowden changes were a necessary, if not sufficient, condition of any significant improvement in management in the public service.

In 1968 the Fulton Report (1968) gave a further description of 'management' which was wider than any given previously and that was much more consistent with the use of the word in business. Thus Fulton states that there are four aspects that make up the total management task of the Civil Service: formulation of policy under political direction; creating the machinery for implementation of policy; operation of

the administrative machine; and accountability to Parliament and the public. Policy in this context means a series of patterns of related decisions to which many circumstances; as well as personal, group and organisational influences, have contributed. For a policy to be regarded as a 'public policy' it must to some degree have been generated or at least processed within the framework of governmental procedures, influences and organisations (Hogwood and Gunn, 1984, p. 24). Keeling (1973), defines public administration as:

The review, in an area of public life, of law, its enforcement and revision; and decision-making on cases in that area submitted to the public service.

Management was traditionally considered to be a lower level activity than policy and administration. Keeling (1973) views administration as the link between policy and management. Thus the traditional public sector model was of a continuum from policy through administration to management. This contrasts with the private sector interpretation as policy (in the form of strategies) followed by management and then administration (routine support). Dunsire (1975) considered that in industry it is management and direction that does the assigning of weights to decision factors, not administration.

3. Management: A Definition

Management has been well defined by Henry Mintzberg (1975), as having the following basic purposes: to ensure the efficient production of goods and services; to design and maintain the stability of organisational operations; to adapt the organisation, in a controlled way, to the changing environment; to ensure that the organisation serves the ends of those persons who control it; to serve as the key

information link between the organisation and its environment; and to operate the organisation's status system.

Managers carry out the above purposes through the management process. Each manager will be responsible for different types of decisions and will therefore, place a different emphasis on the managerial activities he or she is involved in. The different elements in the management process include: planning; organising; directing; co-ordinating; controlling; communicating; and motivating. This list is by no means exhaustive, but it embraces the core elements identified by Fayol (1949) and Brech (1975).

4. Public Management

Perry and Kraemer (1983) argue that between 1900 and 1970, American administrative theory alternated and was torn between the claims that public administration is unique (essentially a political science perspective) and that public and business administration are both part of generic management. Since 1970, the emerging and integrative paradigm is public management. Rainey et al (1976) disputes this conclusion and suggests that public administration is different from management, if not wholly unique. Alison (1993) concludes that public and private managers are at least as different as they are similar, and the differences are more important than the similarities. Gunn (1987), drawing on the aforementioned writings considers that there are two positions on public management. The first is that public management involves learning from the generic management but maintaining a distinctiveness because the public sector is much more dissimilar than similar to the business sector. The second position is that public management is management

and the claims to uniqueness are overstated. Gunn (1987) concludes that there should be major inputs from 'public policy' to public management teaching and research, as well as from 'business management' and 'generic management'. But we should not forget what is relevant from the older 'public administration' tradition, since there remain several important respects in which management of the public sector is necessarily and properly different from management of the business concern.

5. Public Policy Analysis and Performance Management

Policy analysis was the influencing force on US public management in the 1950s and 1960s. Simon's (1947) construction of means-ends analysis exchanged the old policy-administration dichotomy of agreed-upon goals (ends) and the rational application of resources (means) to achieving those goals. Lindblom's 'muddling through' (1959) and Etzioni's mixed scanning (1967) all provided a better understanding of decision making in the public sector. In the 1970s, in the USA, a new public administration emerged at a time when rationality was being challenged. March and Olsen (1976) and Weick (1969) were particularly important influences on a school of thought in which rationality is desirable but only when stripped of its undesirable side effects. According to Frederickson (1980), this shorter term, less fundamental approach was probably better suited to public organisations as it fully considered social costs and consequences.

An influential study of 62 companies in the USA with outstandingly successful performance, conducted by Peters and Waterman (1982), identified eight attributes which are characteristic of excellent, effective and innovative companies, these are:

a bias for action; autonomy and entrepreneurship; close to the customer; productivity through people; hand-on, values driven management; 'stick to the knitting'; and simultaneous, loose-tight properties.

Some of these characteristics were transferable to public sector organisations in the UK. However, it is far from certain that 'excellence' in public management means the same as it does in business. Nevertheless, the measuring of excellence, i.e. reaching for and achieving high standards of performance, is very important regardless of the environment in which you manage.

The originators of the interest in reinventing government movement (REGO) in the USA, Osborne and Gaebler (1992), used a methodology similar to Peters and Waterman in that they looked at successful managerial and administrative innovations drawn from US state and local governments. Osborne (1988), states that the reinvention perspective is compatible both with a commitment to business values and the modern political interest in less government. It has been supported by legislative provisions, promoted by Vice-President Al Gore and requires, among other things, changes in public performance measurement and it's reporting to clients and funders. The REGO movement resembles the new public administration of the 1970s but identifies dichotomous couplets that, according to Frederickson (1996), define its focus. The REGO movement sees a changing role for government in public service provision based on the changes implied in the dichotomies such as: steering rather than rowing; replacing bureaucratic processes with market processes; meeting the needs of customers not bureaucracy; earning rather than

spending; preventing rather than curing; and moving from hierarchy to participating and teamwork.

Section C: The Context of New Public Management

1. The Context

According to Aucoin (1990), NPM has a hybrid theoretical background that combines economic organisation theory, emphasising centralisation and contractualism, with management theory emphasising devolution and managerialism. NPM thus includes management methods, devolution, deregulation, market reforms and customer/client service.

Performance indicators are central to NPM as PIs are expected to perform a number of different roles supporting the implementation of NPM (Carter, 1998, p. 184). Ferlie et al. (1996) distinguish between four different NPM models: the efficiency drive; downsizing and decentralisation; in search of excellence; and the public service orientation.

NPM focuses on a number of issues but particularly on the role of government in society. Pollitt (1986, p. 45) identifies several strands to the critique of this role. There was an assumption of public sector inefficiency; the recourse to private sector expertise; the value of performance related pay; and the emphasis on new accounting procedures. There were also attempts to distinguish the policy role from the activity of management and to upgrade the importance of management.

The underpinning ideology informing NPM was conservatism and this resulted in a belief in the merits of the private sector. Public sector bureaucracies had become overstaffed and inefficient. The private sector knew how to engage in 'turnaround management' the objectives of which are to cut costs, eliminate waste and return to competitiveness (Peters and Donald, 1994). Politicians came to accept that management was superior in the private sector and whenever possible the public sector should emulate the private sector or simply privatise the function (Peters, 1989, p. 9).

NPM involves a different conception of public accountability that requires the lessening or removing differences between the public and private sector and shifting the emphasis from process accounting towards a greater element of accountability in terms of results. This approach reflected high trust in the market and private business methods and low trust in public servants. The ideas of NPM according to Hood (1995) were couched in the language of economic rationalism.

2. Evaluating NPM

There have been few independent evaluations of public management reforms. Broad-scope evaluations of the UK experience, according to Pollitt (2000), were notable by their absence during the Thatcher/Major administrations. The Blair administration appears to be more committed to the idea that evaluation should be a regular part of the reform process. Pollitt (Ibid.) comment of the evaluations using a framework based on the potential gains from NPM reforms these are: savings; improved processes; improved efficiency; greater effectiveness; and an increase in overall capacity.

One conclusion of the evaluations in relation to savings is that the hypothesis that bureaucratic regimes would perform less well in macro-economic terms than regimes which had modernised themselves according to the NPM prescription cannot be proven or disproved. Movement in macro-economic aggregates simply will not provide sufficient evidence on the effects of management reform. In relation to specific savings attributable to local management reform initiatives it is clear that many reforms have resulted in savings. Pollitt (ibid.), comments that savings on one dimension may have been offset by increases in expenditure elsewhere, or by quality reductions, or by scope of service reductions, or by shifting costs elsewhere in the public sector. Some governments have clearly reduced the number of public employees.

In relation to improved processes there is no doubt that enhanced management competence has resulted in clear and lasting improvement in the way some public sector organisations operate. However, in some cases improvement in one area have been at the expense of reductions in service effectiveness in other areas. High profile successful changes often disguise shift in resource allocation that adversely affect the client experience of a public service.

As far as efficiency is concerned this has been the key objective of many UK NPM reforms in the Civil Service, the NHS and in local government. Yet 'evaluation' studies have often been flawed and present very subjective findings of efficiency gains. Talbot's (1996, 1997) research into the performance indicator systems used by UK 'Next Steps' executive agencies showed that measurements of their efficiency

were not robust. Reliability and validity in measures of performance efficiency were not widespread in UK public management.

Assessing public sector effectiveness is a difficult task. Management reforms do not in themselves address the multiple problems of public policy implementation and indeed are themselves subject to implementation difficulties. The UK Labour government declared that there was a need to focus on outcomes rather than just on inputs, functions or value for money (Prime Minister and Minister for the Cabinet Office 1999, pp. 15-18).

Systems improvements are broad scope and commonly focus on organisational development and cultural change making the organisation more responsive to client and better able to adapt to changing environmental circumstances. Such improvements in public organisations as systems are difficult to measure, difficult to sustain and may not have been a direct consequence of managerial reform.

Pollitt (1990) concludes that there is some evidence of improvements as a consequence of NPM but the evidence is limited and there are often alternative perspectives on the value of the NPM reforms.

Section D: The International Context

Introduction

In this section of Chapter I, a selected range of international influences are examined by considering international influences on NPM: globalisation and internationalisation; individualism; politics and depoliticisation; Fordism and post-

Fordism; and modernity and post-modernity. Under each heading comments are made on the local-global interface and the ways in which Scottish further education has been influenced by such international changes.

1. NPM as International Convergence

Hood (1995) argues that, in spite of allegations of internationalisation and the adoption of a new paradigm in public management, there was considerable variation in the extent to which different OECD countries adopted NPM over the 1980s. Four key conclusions are derived from the available evidence on the rise of the NPM. Firstly, the pace of change has differed between countries. Secondly, there are clear variations between countries in the form that NPM has taken. Thirdly, there is no simple relationship between macro-economic performance levels and the degree of emphasis laid on NPM. Fourthly, there seems to be no simple relationship between the dominant political party in government and the degree of emphasis placed on NPM.

Dunsire (1990) identifies that much of NPM is built on the concept of homeostatic control and this necessitates the clarification of mission and goals in advance, and then developing accountability systems in relation to those preset goals. Many countries accepted the logic of this homeostatic control process and applied it to governmental activity.

2. Globalisation and Internationalisation

Globalisation is the attainment of century-old ideals of the free trade liberals, where business activity is primary and political power has no other task. Giddens (1998,

pp. 30-31) believes that economic globalisation is a reality and should not be considered as primarily economic. Globalisation is about the transformation of time and space in our lives. Distant events affect us more directly and immediately than ever before. Globalisation has three key features: the emergence of a global market principle; flexible accumulation; and the financial revolution in the mobility of capital (Dominelli and Hoogvelt, 1996, pp. 192-195). Globalisation restructures relationships between state and capital. It has led to what Cox (1981) refers to as 'the internationalisation of the state'. The state becomes a vehicle for the adjustment of the domestic economy to the imperatives of the global market.

Globalisation has also been promoted by business corporations and other groups and is a complex range of processes, driven by a mixture of influences. Globalising factors clearly have implications for the organisation of work and for education and training. Globalisation must therefore impact on further education systems and their management. Jones (1995, pp. 143-155) identifies the World Bank's education policy as clearly promoting globalisation in education. In this policy there is a limited role for government as protector of the poor and the disadvantaged, as provider of market information about educational provision, as 'compensator' for market failures and a setter and monitor of standards in education (World Bank, 1995).

3. Individualism

Individualism refers to explanations or ways of thinking that focus on individuals or individual action rather than on social groups or social structures such as class or educational institutions. This individualism draws heavily on the writings of Liberal theorists such as Hobbes, Locke, Hume and Adam Smith and contemporary

adherents, such as Hayek, such an analysis of society based on an understanding of the self-interest of individuals (Hayek, 1949, p.6).

Giddens (1998, p. 35) refers to individualism in contemporary society as the rise of the 'me' generation, resulting in a 'me-first' society which inevitably destroys common values and public concerns. Beck (1998) interprets the new individualism as institutionalised individualism because most of the rights and entitlements of the welfare state are designed for individuals rather than their families. Performance indicator information may be targeted at the individual student or at parents deciding on appropriate vocational or academic further education programmes.

4. Politics and Depoliticisation

Globalisation, along with the disintegration of communism, has changed the balance between the politically left and the politically right. There are currently no real alternatives to capitalism but, according to Giddens (1998, p. 44), the focus of concern is about the way capitalism should be governed and regulated. There has emerged a range of political groupings and government policies falling between the extremes of left and right and it is this trend that has emerged internationally.

The role of government in this emerging political order has been questioned in many countries. Globalisation changes have threatened to undermine orthodox political parties by a process of depoliticisation which is the draining away of influence from national government and political parties to others such as social movements and non-governmental organisations (NGOs). Hutton (1996,1997) argues that the solution to many of the problems of modern societies is the social market economy

with its concept of stakeholding. The key to this approach is the need to modernise government decision-making.

Further education in Scotland has moved away from being subject to the scrutiny of local education authorities. Colleges are managed by NGOs in the form of Boards of Management and to this extent are depoliticised.

5. Fordism and Post-Fordism

Fordism is a form of industrial organisation that includes mass production techniques and job simplification. It is derived from the practices and theories of the Classical and Scientific Schools of management thinking with its main proponents being Henry Ford (hence Fordism), Frederick W. Taylor and the Gilbreths (Frank and Lilian). Production is organised for efficiency, the human element is of minimal importance and there is extensive mechanisation and routinisation of tasks. Edwards (1995) takes a critical look at the shift from Fordism to post-Fordism and the resultant changes in production methods and working practices. Post-Fordism is much more customer and people focused, flexible and responsive. Product diversity and small batch production meeting client and customer requirements have superseded mass production. According to Stevens (1996), this results in a concern for the individual as a consumer (consumerism). Renner (1995, p. 287) distinguishes between Fordism and neo-Fordism. In the former the ideological impact is more just and democratic whereas in the latter there is a more exploitative approach where the organisation remains fundamentally unchanged, employees suffer increased levels of stress as responsibility to accommodate heightened competition and market adaptation become the organisational driving forces.

The incorporation of Scottish colleges of further education clearly represents an opportunity to break away from a Fordist system of mass, standardised further education provision towards a post-Fordist decentralised, responsive system. However there is clearly a danger of neo-Fordism in the competitive nature of some areas of further education provision, especially in the major population centres.

6. Modernity and Post-Modernity

Modernity, according to Harkin (1998), describes the opportunity that human beings have for agency and, through the application of reason, may work to improve themselves in the world. Usher and Edwards (1994) present post-modernity as a pre-condition of modernity where post-modernism is not modernism at its end, but in a nascent state, and this is recurrent. Giddens (1991, p. 3) sees modernity as having enormous power which, collectively as human beings, we can control to some extent, but which can also be uncontrollable. Rather than entering a period of post-modernity, we are moving into one in which the consequences of modernity are becoming more radicalised and universalised than before.

This is a selective look at a range of international influences that in part determine the context of further education provision in Scotland and therefore affect the development and implementation of performance indicators and managerialism. In subsequent sections of this chapter the influences of the context move from the global level to the national level in an assessment of key changes in performance governance, performance management and consumerism.

7. National Influences: A PEST+ Analysis

PEST analysis, as a technique has been used extensively by public and private sector organisations as part of their strategic management processes. PEST+ analysis, in this context, involves examining political, economic, social, technological and other influences and their impacts on public management and the management of further education. Fahey and Narayanan's (1986, pp. 28-34) model of the macro-environment stresses that the environment can be understood only as a system, in which each factor is related to and affects every other factor. The section will therefore be divided on the basis of the sub-elements of the PEST analysis to better understand the factors affecting the Scottish system of further education.

Political Influences

The Labour government elected in 1945 promoted nationalisation, the creation of the NHS and the consolidation of the welfare state. Successive governments, Conservative and Labour, remained committed to this broad based policy direction between 1945 and 1970. The post-war consensus thus involved a change in the relationship between citizens and the State as government became more active in the social and economic fields than it ever had been before the Second World War. The Wilson Governments (1964-70) sought to expand the system of further and higher education and in this period education replaced defence as the biggest item of public expenditure after social services.

The Heath Conservative Government (1970-74) was initially committed to challenge some of the core elements of the post-war consensus. There was to be no government support for 'lame duck' industries that could not survive the rigours of

the marketplace. Central government was rationalised and local government reformed and re-organised. This challenge to the post-war consensus was blown off course by a series of 'U-turns'. Such events included major industrial disputes, the nationalisation of Rolls Royce and the 'oil crises'.

The Labour Government (1974-79), under Wilson then Callaghan, attempted to return to the post-war consensus policies but was unable to do so because of an economic crisis. Britain sought and obtained a loan from the International Monetary Fund (IMF) on the condition that there was to be a reduction in public expenditure. This was a watershed in British politics as it marks the end of the post-war consensus and the associated role of the state. The Government was forced to cut public expenditure, reduce the money supply and abandon the commitment to full employment policies. The Government also decided to sell off some of the state-owned shares in British Petroleum thus setting a precedent for the privatisation policies of the Thatcher Governments. In the 1978-79 'winter of discontent', the 'social contract' between the Government, the trade unions and employers finally collapsed. Margaret Thatcher and the Conservatives were elected in May 1979.

The consensus on the mixed economy and the Welfare State disintegrated in the period from 1979. Particularly significant influences were the liberal views of the Government on the role of the state and the management of the economy. Margaret Thatcher associated the public sector with bureaucracy, inefficiency, absence of choice and the generation of a welfare dependency culture. The term the 'New Right' was used to describe this mixture of liberalism and conservatism that influenced the ideology of the Thatcher Governments. The post-war consensus was

fundamentally challenged and the values of the free market promoted as the basis of efficiency in the allocation of resources. The New Right policies were targeted at reducing the scale of the public sector, reducing the scope of government and changing the way in which public sector organisations operated. The key aims being to maximise the role of the market forces and minimise the role of government.

The New Right emerged as a coherent political ideology that promoted a series of over-lapping arguments on political issues such as:

the state is too large and is inefficient;

the private sector is more efficient;

the state doesn't reward or recognise individual initiative and enterprise;

the state lacks the discipline of marketplace competition to punish inefficiency;

the state distorts competition and market operations;

public borrowing 'crowds out' private borrowing;

taxation to finance state activities reduces private profits, investment and incentive.

The rise of New Right thinking within the Conservative Party was facilitated by linking free market ideas with a 'more congenial conservative emphasis on a stronger state in the fields of defence, and law and order, and a strengthened family (Gamble, 1985 p.139). This coupled with a stress on community, the preservation of national sovereignty, and a re-assertion of traditional morals, discipline and respect for authority amounted to the core of New Right thinking.

In the early 1990s internal disagreements emerged within the ranks of the Conservative Government and the Labour Party sustained its shift to the centre

ground on such issues as the free enterprise economy, public spending, unilateral nuclear disarmament and Europe. By 1992 a new consensus, further to the right than its post-war predecessor had emerged (Jones and Kavanagh, 1998, p. 7). John Major became leader of the Conservative Party and the Conservatives gained a slender majority at the 1992 General Election. The Major Government repealed the Poll Tax, concentrated on curbing inflation, improving the delivery of public services and reforming the Civil Service. It was during this period (1993) that the further education system was taken outwith the control of the local education authorities.

In the 1997 General Election the Conservative Party was faced by a formidable and much reformed Labour Party. Tony Blair's New Labour was elected with a substantial majority and accepted existing rates of income tax and levels of public spending, set tough targets for inflation and promised to reduce public borrowing. New Labour also accepted many of the trade union reforms, privatisation and a more selective approach to welfare. There was therefore considerable convergence between the policies of the New Right and the policies of New Labour. However, Tony Blair argues that the ideology of New Labour is a 'third way' between the New Right and the 'Old Left'.

The devolution debate in Scotland and Wales has concerned the extent to which powers could be appropriately delegated to the new Scottish Parliament and to the Welsh Assembly. The Labour Government has fulfilled its election commitment to the Scottish and Welsh peoples and elections for the Parliament and the Assembly were held on 6 May 1999. The Scottish Parliament extends democratic control over

the responsibilities previously exercised administratively by the Scottish Office. The exact impact is difficult to forecast but there is no doubt that the Scottish Parliament will have a clear responsibility for lifelong learning and further education.

Economic Influences

Post-war governments in the UK have been heavily involved in the management of the economy. Both Labour and Conservative Governments after 1945 accepted that it was their responsibility to achieve popularly- supported economic objectives. For over thirty years, after World War II, governments of both parties accepted that it was part of their job to do at least four things: to maintain a high and stable level of employment; to achieve economic growth (and rising standards of living); to keep prices stable; and to avoid deficits in the balance of payments.

These aims were influenced by John Maynard Keynes (1936), hence Keynesianism. From 1945 to 1970 every Government put their faith in Keynesian 'demand management' and set up a variety of prices and incomes controls plus measures to stimulate investment and plan future growth. In 1970 Heath's Conservative Government experimented briefly with a monetarist approach but reverted to Keynesianism. By the mid 1970s Keynesianism seemed inadequate as Britain was experiencing high inflation, stagnant growth and high unemployment, resulting in an economic crisis. In 1976, the Labour Government adopted policies on monetary control as required by the terms of the International Monetary Fund (IMF) loan. Public expenditure cuts and increased unemployment coupled with Keynesian intervention through incomes restraint and Government cash for ailing industries resulted in economic improvements but this was insufficient to convince the

electorate. A Conservative Government was elected in 1979 committed to monetarist economic policies

This owes much to pre-Keynesian classical economists such as Adam Smith and its chief contemporary protagonist has been Milton Friedman. Governments must, according to Friedman, concentrate on strict control of the money supply and withdraw from substantial economic intervention thus giving the market forces free reign. Inflation will dampen down and the economy will return to healthy growth.

The periods of Conservative Government have left long-term growth prospects in Britain better than would have seemed possible in 1979. Macro-economic management was the weakness of the Conservative's economic policies, with major errors responsible for excessive economic fluctuations and the eventual loss of the government's reputation for economic competence, while at the same time their record on inflation compares favourably with that of other OECD countries. Micro-economic management was much better through privatisation, improved industrial relations and reduced public expenditure. Opportunities were missed, according to Craft (1998, p. 35) in the areas of welfare and tax reforms.

'Old Labour's' attachment to state ownership, protectionism, high taxation, subsidies to physical investment, and Keynesian demand management together with an unwillingness to accept reforms to industrial relations and welfare benefits, were, according to Craft (1998, p. 36), most unfortunate. New Labour appears to have radically different economic policies from 'Old' Labour with the establishment of an independent central bank, no interest in reversing privatisation and continued public

expenditure restraint. The intentions to raise standards of education and promote fundamental reform of welfare provision also indicate that there is an implicit acceptance of many of the supply-side reforms of the Conservative years. Indeed, the Labour Government gave a commitment to accept, for the first two years of its office, the income tax and spending levels inherited from the previous government. Hutton, (1996 and 1997) argues that it is possible to achieve the social reformist goal of a balance of economic growth and social welfare and retain a more liberal approach in creating a prosperous market economy with long term investment, a commitment to community and political reform to modernise the state.

Social Influences

The occupational structure of Britain has changed considerably over the past 50 years. Traditional, labour intensive, industries have declined to be replaced by highly automated light manufacturing and service industries. There has been an exponential growth in part-time employment and in the number of women in the labour force. Public sector employment peaked at 7.2 million in 1981 but has reduced to less than 6 million in the 1990s.

The occupational pattern has changed from a pyramid shape to a pear shape largely due to an expanded middle class and a smaller working class.

Wealth and income differentials have narrowed marginally in recent years. During the 1980s the Thatcher Government's tax reductions combined with benefit cuts caused a substantial increase in the differences between high and low earners. A substantial amount of wealth is owned by individuals in the form of bank deposits,

savings accounts, property, and stocks and shares. The pattern of distribution is much more unequal than that of income: the ownership of wealth is highly concentrated with the wealthiest 50% of the population owning over 90% of the country's wealth.

Over 65% of the population own their own home, this figure was greatly boosted by the sale of over 1 million council houses since 1979, yet there are still over 30,000 people homeless in the UK.

One in three children live in poverty and almost four in ten adults earn less than the Council of Europe's decency threshold. 65% of disabled people live below the poverty line. The poorest groups in society are the old, the disabled, the unemployed, immigrants and families with young children.

There remains considerable movement between the different social groupings in Britain. Goldthorpe (1987) identified that the least socially mobile in society are the upper class and the working classes. Adonis and Pollard (1997) perceive what they call the emergent 'super class'. They argue that we have a new elite of top professionals and managers divorced from the rest of society by wealth, education, values, residence and lifestyle. These authors maintain that the new class was born out of the financial services industry based in the City of London that expanded hugely in the 1980s. The emergence of this 'super class' has resulted in Oxbridge graduates changing career aspirations and career directions away from public service towards the City and the law. Moreover many who opted for the public sector have since left it.

Education is a vital factor in determining social mobility. Access to higher education is particularly important in determining life chances. About 7% of children are privately educated, yet over 80% of senior judges in the mid 1970s were privately educated. The replacement of grammar schools by comprehensives has not altered this elitism. The proportions of those entering higher education from manual working class families has scarcely shifted by comparison with those from the professional and managerial classes.

Many groups in our society continue to suffer from inequality of opportunity. There are regional variations in earnings and other socio-economic indicators. Socio-economic indicators also confirm the multiple disadvantages suffered by people as a consequence of gender, race, disability, ethnicity and sexual orientation in British society.

There is evidence of an 'underclass' in Britain comprising the long term unemployed, single parent families and pensioners living solely on State benefit. Dahrendorf (1985) has commented that the problems caused by the 'underclass' are 'the greatest single challenge to civilised existence in Britain'.

Technological Influences

Global competition, technological innovation, and a shift away from the mass production of standardised goods and services, according to Piore and Sable (1984) led to a sustained attack on the bureaucratic paradigm of organisational efficiency and its replacement by the flexible or adaptive paradigm. The progressive features of this flexible paradigm include greater workplace democracy, job satisfaction and

social justice. However, according to Halsey et al. (1997) the potential of the flexible paradigm has not been realised because of the adverse effects on people of the transition from bureaucracy to flexibility. The demise of mass long term employment has led to the public sector employees having to come to terms with uncertain occupational futures (Butler and Savage, 1995). This trend has been part and parcel of employment in the further education sector with major industrial disputes over changes in the terms and conditions of academic staff and the advent of decentralised collective bargaining.

Bureaucracy, as the form of organisation that delivered mass education and industrial efficiency, is now considered outmoded and inefficient; while the notion of a common culture promoted through multi-cultural educational provision is being challenged. Various cultural groups have asserted their rights to educate their children according to their specific religious and cultural values. So far this trend has not manifested itself in further education.

The impact of technological change is everywhere. In particular, changes relating to the creation, transmission, manipulation and presentation of data have impacted on all organisations and all of our lives. Rowe and Thompson (1996) summarise the diverse ways in which technology has influenced the world in which we live under six principal headings: size; cost; reliability; capacity; speed; and flexibility. In effect, information technology has resulted in smaller components, lower costs of equipment, increased reliability, improved capacity, enhanced speed of processing and much greater flexibility. The range of applications of information technology is enormous as it can serve as the basis for new products, replace conventional

circuiting in existing products, change production and service delivery processes and affect information systems.

In relation to public management, it is the influence of technology on information systems that has had the greatest impact on the implementation of performance indicators systems. The first computer to be used for administrative work in government in the UK was installed in January 1958 to process payrolls (Fulton, 1968, Vol.4: 634). From the early 1970s onwards the use of mainframe computers spread from central functions of government to service delivery departments thus making it possible to cope with the growing scale, scope and complexity of public services. According to Taylor and Williams (1991), the increasing synergy of computing and telecommunications created the possibility for distributing computing power and computerised information to front line staff and, therefore, for decentralised or flexible administrative arrangements.

The Fulton Committee (1968) advocated accountable management and recognised that this necessitated informational resources and methods of measuring performance. However, in the 1970s progress on comprehensive management information systems (MIS) was haphazard and it wasn't until the 1980s that MIS in the public sector developed. According to Taylor and Williams (1991), central government departments have been asked to deliver a variety of not entirely compatible information reflecting the plurality of stakeholding in MIS. The National Audit Office (1986: 4) identified that there was inflexibility and fragmentation in government MIS. In the 1990s there has been a shift from a focus on outmoded technologies to an emphasis on the quality of information that can be generated by a

good MIS. There has been recognition of the need for bespoke systems, designed and developed through systems analysis techniques, to ensure that systems meet MIS stakeholders' requirements. It is against this specific information technology background that performance indicator systems have developed. Performance indicator systems are sub-divisions of the organisation's MIS, meeting multiple stakeholder design requirements.

The further education system operates in an environment where it is open to multiple influences. This PEST analysis has identified many of the influencing factors at a national level. Some of these influencing factors clearly have a direct impact on performance indicators and the management of further education. In relation to other factors, the impact is much less direct but remains significant to the contextualisation of the subject matter of this thesis. In an academic study such as this, it is important to begin with a broad perspective and, then, to gradually focus in on the subject matter of the thesis. This is done in the hope that findings on the focused issue may add to the existing body of knowledge on performance indicators and their use in public management. In particular, the thesis examines the questions 'who benefits from performance indicators?' and 'was the policy on performance indicators and the management of further education appropriately implemented?'

The subsequent sections of this chapter consider the context in relation to three potential uses of performance indicators: performance indicators as performance governance; performance indicators as performance management; and performance

indicators as consumerism. The beneficiaries being the Government; further education managers; and further education stakeholders respectively.

Chapter Conclusion: The Influence of NPM on the Roles of PIs

Introduction

This chapter has considered performance indicators as products of a variety of influences. The intellectual roots of PIs are clearly public choice theory and managerialism but the measurement of performance in the public sector pre –dates the popularity of public choice theory and the development of NPM. Therefore performance measurement has been around for some time but public choice theory and NPM resulted in a renewed interest in measuring aspect of the performance of public sector organisations.

Two of Hood's doctrinal components of NPM are closely related to the increased use of performance indicators in public management. Component six 'Explicit formal measurable standards and measures of performance and success' necessitates the use of PIs as does component seven 'greater emphasis on output controls'. The roles that PIs play are therefore closely linked to the demand placed on PIs by NPM. The theoretical role of PIs within the NPM is to promote more comprehensive measurements of the performance of public sector organisations. This role can however be considered from three broad perspectives that can, in certain circumstances, conflict. The perspectives relate to the prime purpose of the performance measurement activity. These perspectives are: PIs as Performance Governance; PIs as Performance Management; and PIs as Public Sector Consumerism.

Performance governance concerns the ways in which central government maintains its capability to achieve the objectives of national policy through systems of accountability and control. Performance management has a focus at organisational level on the functions and processes that may be used to manage both individual and organisational performance. Public sector consumerism is the concern for service quality and responsiveness to clients and stakeholders. The consumerist ethos has been strengthened in the 1990s with the growing emphasis placed within public management on issues of service quality and Citizen's Charters.

These roles of PIs can often be contradictory for example, government may seek to reduce costs and enhance efficiency and will introduce PIs to measure performance for these purposes but PIs can also be used to measure quality of service. In some circumstance quality and economy (reducing costs) are mutually exclusive objectives. As a consequence of these contradictions, performance indicators can be considered as tools of government, tools of managers and tools of clients and stakeholders. This research will explore the perceptions of each user group in relation to the Scottish further education performance indicators system.

This chapter conclusion will consider the roles of performance indicators in more detail by examining their context.

1. Performance Governance and Economic Management

Government, by the late 1950's, had demonstrated a lack of success in the pursuit of the economic goals of full employment, a stable balance of payments, stable prices and economic growth. This had led to growing discontent with the central

mechanisms exercised by the Treasury (J. H. Robertson, 1971, p. 106). In its Sixth Report, the Select Committee on Estimates (1958) recommended that a detailed enquiry should be undertaken to determine a better way of bringing expenditure into line with economic resources. As a result of this recommendation, the Committee on the Control of Public Expenditure, chaired by Sir Edwin Plowden was set up in mid-1959 and reported in July 1961 (Plowden, Cmnd 1432, 1961). The main conclusion of the report was that expenditure decisions should never be taken without consideration of what the country can afford and the relative importance of one kind of expenditure over another (Plowden, Cmnd 1432, 1961 para 7). The Public Expenditure Survey system was followed by the Labour Government from 1964-70 but during that period, from early 1968, a series of major cuts in public expenditure was introduced. During this period a comprehensive re-appraisal of the system of control and the theoretical basis in which it was operating took place. The central feature of the change was that for the first time comprehensive control over public expenditure based on clearly defined objectives was introduced supported by determined arrangements for monitoring expenditure against firmly based departmental programmes. Estimates were grouped on a functional basis which according to Ursula Hicks:

This should enable unit cost of service of 'performance' to be identified over a wide range and will thus directly promote 'cost consciousness' at all levels (Peacock and Robertson, 1963, pp. 155-156).

By June 1970 the, newly elected, Conservative Government was committed to reducing public expenditure and taxation. In relation to Plowden, the Public Expenditure Survey (PES) system and performance indicators, it is not that the P.E.S. system itself created a need for performance indicators but the inadequacies

of the P.E.S. system created the desire for additional information on the performance of public sector organisations.

Government interest in the early 1970's moved towards systems of output budgeting, drawing on the experiences in other countries, notably the U.S.A. of Planning, Programming, Budgeting, Systems. (PPBS). The thrust of the P.E.S. system was essentially under the 'planning' heading whereas the early developments in performance indicators focused on assessing how well a particular purpose or objective had been pursued in situations where the simple yardstick of profitability is either inapplicable or insufficient. Such 'performance indicators' imply the development of quantitative data relating to various kinds of costs, and to various kinds of output that may be appropriate in each particular case (J. H. Robertson, 1971, p. 118).

If the P.E.S. system concentrates on the planning of public expenditure at national level (the macro-level), then performance indicators in this period complemented this by focusing on monitoring, control and review at the level of programmes, organisations, departments and units within departments (the micro-perspective).

Thus the P.E.S. system is about planned inputs and is a pre-control. Performance indicators, in this period, considered outputs and were concurrent and post-controls. The growing interest in performance indicators came when there was a greater need to reduce public expenditure.

Output budgeting is an attempt to bring together the annual budgetary process with the policy planning process by linking the analysis of objectives and activities with the outputs achieved. In the 1960's the U.S. Bureau of Budget considered productivity in five public organisations and concluded that it was possible to develop meaningful measures of productivity in public organisations (J. H. Robertson, 1971, p.119).

Output budgeting was defined in the Department of Education and Science publication Output Budgeting in the Department of Education and Science as a formal system for establishing:

- objectives;
- which activities contribute to these objectives;
- what resources or inputs are being achieved to these activities;
- what is actually being achieved, or what outputs are.

(DES, 1970,para. 9)

Output budgets are expressed in output terms and in the form of targets i.e. they will state the objectives of the staff to whom the financial allocation has been made in performance terms. Performance is judged on measured achievement against targeted achievement (J. Bourn, 1979, p.2).

The 1970 Department of Education and Science publication uses the term 'indicators of success' (DES, 1970, pp. 109-116).

One form of output budgeting is Planning, Programming, Budgeting Systems (PPBS) that assists decision-takers by monitoring results and to feedback this information to assist in the updating and revising of plans. The link between PPBS and performance indicators is the concern of PPBS to shift the focus of decision-

making and management from inputs to outputs. The proponents of PPBS also recognised its weaknesses in relation to indicators of output:

there is a danger that undue reliance on measures may ignore qualitative aspects of an output (LAMSAC, 1972, p.28).

Three particular problems were associated with PPBS indicators of output. First, the difficulty of quantification and quality; second, data collection without the aid of computerised management information systems; and third, the interpretation of the data.

The 1970 White Paper, *The Reorganisation of Central Government* outlined the development of Programme Analysis and Review (P.A.R.) and the creation of the Central Policy Review Staff (C.P.R.S.) (HMSO, Cmnd 4506, 1970). P.A.R. was additional input into the P.E.S. system as it provided ministers with a wide range of policy options and their implications. The objectives of P.A.R. were to review the effectiveness and efficiency of Government programmes and to contribute to the Governments' overall strategy by listing departmental objectives against the strategy and bringing under regular review the major ongoing programmes.

The C.P.R.S. was introduced as a small multi-disciplinary central policy review staff in the Cabinet Office. It was established to discharge two functions. First, to review the Governments' progress, identifying gaps between objectives and performance. Second, to examine particular problems and policies (HMSO, Cmnd 4506, 1970, p. 13). A key recommendation of the C.P.R.S., as far as performance indicators are concerned, was that close attention should be paid to monitoring the outcome of policies on an inter departmental basis and with the aid of improved statistics (J. Bourn, 1979, p. 36).

It was not so much that the P.E.S. system itself created a need for performance indicators but the inadequacies of the P.E.S. system created the desire for additional information on the performance of public sector organisations. P.E.S. was not directly concerned with assessing the results or output of public expenditure programmes. However, it did prompt central government to consider how it could better assess the value the community gained from carrying out particular programmes, or for deciding whether each one was carried out in the most effective way. To deal with these problems the government turned to system of output budgeting and techniques of programme analysis and review.

If the P.E.S. system concentrates on the planning at national level (macro-level) for inputs, then performance indicators, in this period, complimented this by focusing on; monitoring, control and review at the level of programmes, organisations, departments and units within departments (the micro-perspective); the outputs of organisational activity. Thus the P.E.S. system is a pre-control and performance indicators were largely used, at this time, as concurrent and post-controls

The information generated through the P.E.S. system, P.A.R. and the C.P.R.S was relatively secret. In the U.S.A., the Executive branch of the government makes budgetary recommendations to the Congress. Thereafter, the proposed budget is broken up into scores of separate pieces for consideration by separate substantive committees and later the Appropriations Committees of the House of Representatives and Senate. Departmental information could not be readily hidden away and could be subpoenaed by a congressional Committee (W. Hirsch, 1973,

p.127). Performance indicators can make information on governmental activity more public.

By 1979, according to Metcalfe and Richards (1987, p. 5) many of the post-Plowden changes had proved inadequate:

Programme Analysis and Review had all but disappeared; and the Central Policy Review Staff had been forced into the margins of the policy process by Labour Governments whose concern was short-term survival rather than long-term thinking.

These early attempts to develop rational decision-making failed to sustain their momentum. Much was made in the early 1970's of the potential of policy review techniques, but this potential was, according to Heald (1983, p. 187) never fully realised:

It promised much but only burned dimly, then flickered on for several years before expiring in 1979.

There is clearly a strong link between rational policy analysis techniques and the development of performance indicators as tools of public managers.

2. Performance Governance and Accountability

Public accountability requires many means of accounting. In recent years, lines of accountability in the public domain have become less clearly defined as new forms of organisation develop such as incorporated colleges of further education but nevertheless, public sector organisations must be accountable for their actions and expenditures. Gray (1983, pp. 29-31) suggests that it is helpful to consider accountability in the context of a principal-agent relationship, using the senses of the term found in the common law of contract. Agents will normally be found by two distinguishable responsibilities, one for the action they take, and the other for

accounting for those actions to their principals. It is the second responsibility that we know as accountability.

In the 1980s there was a shift away from accountability via stewardship of public funding and the concept of ultra vires, to accountability focusing on positive action in the form of managerial performance, the effective and efficient use of resources and the professional and personal integrity of public managers (Wilson and Hinton, 1993, p. 123).

Political accountability includes the accountability of politicians to the electorate, the accountability of officials to politicians and the accountability of nominated persons to their sponsoring organisations. There is also 'ministerial responsibility' on the part of Government Ministers for actions carried out by or under the auspices of the Minister's Government department and the accountability of the Minister to Parliament.

Managerial accountability is concerned with making those managers with delegated authority answerable to their hierarchical superiors for carrying out agreed tasks to pre-determined standards of performance. Dimensions of this, according to Day and Klein (1987, p. 27), include:

- fiscal or regularity accountability to spend according to rules and regulations;
- process or efficiency accountability to demonstrate value for money; and
- programme or effectiveness accountability to ensure that a given course of action achieves its intended result .

The term 'accountable management' is one version of managerial accountability and involves more systematic use of management accounting, the creation of cost or responsibility centres to clarify managerial tasks by establishing links between

resources and objectives, and sub-dividing departmental activities into separate accountable units (Fulton, 1968, para. 150).

Financial accountability concerns the responsibility of the agent for the financial resources made available by the principal. Financial accountability is through annual accounts and internal and external audit. Improvements in accounting practices in the public sector are seen as being able to assist in locating the inefficiencies of the past and ensuring that better performance is achieved in the future, not least by making public sector management and employees accountable for their actions and decisions.

Professional accountability can be identified in situations where professional bodies have documented codes of conduct for their members. This normally results in the very limited need for supervision or control among professionals. Accountability is through compliance with standards generated within the professional peer group and monitored by representatives of the profession.

Market accountability is a key element in the changes that have taken place in public management has been the introduction of markets and quasi-markets in different parts of the public sector. Developments such as compulsory competitive tendering (CCT) and charges for public services to external and internal 'customers' created 'market-place surrogates' in the public sector (Pyper, 1996). Failure to meet the demands of the 'market' could result in loss of the contract for the delivery of services. Failure to generate sufficient 'business' can lead to budget shortfalls. Colleges need students as 'bums on seats' means money in college budgets.

The extension of the powers of the Comptroller and Auditor General and the national Audit Office by statute has enabled these bodies to examine the use of public monies by public sector organisations. In evidence to the Treasury and Civil Service Sub-Committee on the role of the Civil Service, former civil servant Sir Kenneth Stowe argued that 'the machinery of public audit in the UK is the most vital component of good practice (HM Treasury and Civil Service Sub-Committee, 1994, para. 28).

Further education colleges are subject to this form of scrutiny through the work of the HMIs who can carry out inspections on any college at any time and produce reports that are in the public domain. The usual process is to prepare a confidential report for college management and a more general report for publication.

3. Performance Governance and Value for Money (VFM)

Public sector organisations, including further education colleges, are primarily publicly funded and there is therefore a concern in performance governance to ensure that public funds are used well. To this end government agencies try to monitor the extent to which public sector organisations deliver value for money i.e. make good use of public funds. VFM is commonly sub-divided commonly into three headings for the purpose of evaluation, these are, economy, efficiency and effectiveness. The first E is economy and is defined by the Treasury as, "a situation where the actual inputs are equal to or less than the planned inputs". The Accounts Commission (1986, p. 28) defines economy as involving:

The consideration of the way in which the public authority acquires resources (input). An economical operation acquires these resources in the appropriate quality and quantity at the lowest cost.

The second E is efficiency and is, according to the Accounts Commission (1986, p.28), is the relationship between goods or services produced (outputs) and the resources (inputs) used to produce them. An efficient operation produces the maximum output for any given set of resource inputs, or uses minimum inputs for any given quality and quantity of goods produced or services provided.

The third E is effectiveness and, according to the Comptroller and Auditor General (1985) is: "the achievement of established goals or other intended effects". Cost-effectiveness is therefore the achievement of goals or other intended effects at a reasonable cost, which normally means within the constraints of the available level of resourcing.

In the Scottish Office publication *Measuring Up* (SED, 1990, p. 1), there is clear reference to the links between VFM and performance indicators:

These three goals of enhancing quality, increasing accountability and improving value for money, require the development of a set of valid, reliable and comprehensive performance indicators as a tool to inform managers and to improve decision-making.

VFM uses the three Es despite conflicts between them and within them. The most efficiently delivered service may not be effective if its output fails to meet objectives or produce intended outcomes. VFM is arguably efficiency led rather than customer driven. It is concerned with supply not demand or user specification (Wilson and Hinton, 1993, p. 65).

In order to meet the need of performance governance, government requires that public sector organisations have their accounts audited annually. Additionally the Accounts Commission and other auditing bodies have responsibilities for additional

areas of scrutiny of performance through powers related to the publication of performance related information. For example, the Audit Scotland sees these powers as part of an evolutionary process aimed at improving local authority performance. The Audit Scotland does not believe that the development of performance indicators has yet reached a stage where it is appropriate for it to pronounce across a wide range of local authority activity on what would be considered precise benchmarks of good or poor performance. In other words, the setting of national threshold standards for local government performance is not yet feasible but it does, however, believe that the process now embarked upon will enable considerable steps to be taken in the medium term towards that goal (Accounts Commission, 1994).

In 1997, the incoming Labour Government introduced a 'Best Value' approach in local government. Councils, as a consequence, have to produce meaningful and robust information to allow those who benefit from and pay for council services to judge performance. Councils are required to take stock of their present ways of working and to map out a path of change. The key principles of Best Value are: accountability; transparency; continuous improvement; a planning framework; and ownership. In relation to performance indicators, auditors should confirm the integrity and comparability of performance information including performance indicators. The role of performance indicators is one of significant importance within a framework that is principally one of self-assessment by managers. Performance indicators will be required by the auditor to confirm progress (or otherwise) and it is already clear that performance indicators will also be used to report on how a council compares with other similar councils (Robert Black, Controller of Audit, Accounts

Commission). The Audit Scotland expects that VFM studies will identify key performance indicators that can be developed and will also support the development of benchmarking groups.

The ways in which public services are delivered to client groups has radically changed over the past twenty years. The changes began with the privatisation policies of the Thatcher Government in the early 1980's. In addition legislation forced public sector organisations to put increasing amounts of service provision out to competitive tender. Following the 1987 General Election, the Conservative government advocated far reaching reforms in the organisation of the Civil Service through the creation of 'Next Steps' agencies. Under these reforms, Civil Service Departments are disaggregated into distinct agencies, each responsible for delivering a particular public service. These agencies remain responsible to a Government Minister. Currently some two-thirds of the Civil Service are now employed in executive agencies that deliver the bulk of services previously provided by central government departments. Public services are also provided increasingly through Non-Governmental Organisations (NGOs) and through Public Private Partnerships (PPPs) and the Public Finance Initiative (PFI). The PFI was launched in 1992 as one of the main mechanisms through which the public sector can improve value for money in partnerships with the private sector. Recent changes have encouraged more widespread use of Design Build Finance Operate (DBFO) schemes whereby the responsibilities and risks relating to the procurement and operation of a capital asset are transferred to the private sector and the asset is then rented back to the public service provider. Examples are new schools, libraries, police stations and residential homes, and the refurbishment of existing property.

The levels of payment by the public sector for use of the capital asset are based on the performance of the private sector against agreed levels of service.

4. Managerialism and Performance Management

Managerialism, according to Pollitt and Harrison (1992, p. 1) is a set of beliefs and practices based on an assumption that better management will prove an effective solvent for a wide range of managerial ills. Pollitt and Harrison (1992), are critical of what they see as the wholesale implementation of Tayloristic management principles into the public sector. But they are criticising a particular form of management and not the belief that organisational members who possess management competences will be more likely to promote the attainment of the desired organisational performance than organisational members who are not yet competent managers.

Performance management in the public sector is the managerial activities necessary to promote well-performing policy management and service delivery. A desire for improved performance in public sector organisations has resulted in a results-orientation and a cost consciousness in a range of OECD countries (OECD, 1997, p. 8). Performance management requires a performance information system that can be audited and is related to financial management and policy cycles. Performance management requires performance measurement systems and performance indicators are part of a system of performance measurement (OU, B887, Block 3, p. 79).

Performance management in the private sector is often a system in which the organisations business plan is thoroughly communicated to all staff and the

contribution of each individual is expressed in a performance contract. The link between personal performance and financial reward is made increasingly explicit, often through performance related pay. The focus is on the integration of individual and organisational performance (Industrial Society, 1994, p. 2).

5. Performance Measurement and Benchmarking

Performance measurement describes a process whereby the collection and analysis of data may provide direct measurement of attributes of concern. Alternatively, there may be indirect measures (sometimes by proxy or substitute) or indicators from which can be inferred, on the basis of hypothesised relationships, characteristics of organisation structures or behaviours (OU, 1993, B887, unit 10, p. 79).

In private sector organisations, measurements such as profitability, market share and annual turnover provide information on the state of health of the business organisation. However, the performance of public sector organisations can seldom be judged in terms of response to competitive forces. The aim of performance review is to facilitate a greater understanding of performance, both in action and impact. Performance assessment should be the basis of performance review. Performance assessment extends beyond the organisation because performance, in the public domain, has to be judged by the organisations funders, clients and other stakeholders. Performance assessment is normally seen as applying performance measures. Performance measures permit comparisons within and between organisations at a point in time and over time (Ranson and Stewart, 1994, pp. 221-223).

Performance measurement, according to the Accounts Commission (1998), is for a number of audiences (stakeholders) with an interest in the performance produced by public sector organisations. It is vitally important to recognise that performance measurement needs to serve the multiple ends of all stakeholders. The type and the quality of information for each of these purposes varies and needs to be tailored to the requirements of end users. McKevitt and Lawton (1996), identify that it may be unrealistic to expect any system of performance measurement to fully satisfy the interests of all stakeholders.

Benchmarking is a process of measuring performance and systematically comparing that performance to the performance of others. In the private sector benchmarking is undertaken voluntarily by organisations and used to improve competitiveness. In the public sector the external audit process exhibits some characteristics of compulsory benchmarking (Stephens and Bowerman, 1997). Audit Scotland has a statutory remit to provide value for money and makes use of published performance indicators and league tables of comparative performance to encourage reflection and continuous improvement.

6. Management Controls

Control in the management process is concerned with guiding and regulating the activities of an organisation or any of its parts, by means of management judgement, decision, and action for the purposes of attaining agreed objectives. In an organisation, control consists of verifying whether everything occurs in conformity with the plan adopted; instructions issued; and the principles established. Controls can be either strategic or operational. Strategic controls are concerned with the

overall performance of the organisation or a significant part of it. Operational controls measure activities within sub-units of an organisation and usually cover a shorter time period than strategic controls. All such controls check whether the organisation's strategic and operational plans are being realised and, put into effect corrective measures where deviations or shortfalls are occurring.

Control can take place before, during or after an event, (the earlier the better), but many controls can only realistically be introduced after organisational activity has taken place.

Pre-control

This is essentially pre-emptive, as in planning, as it sets out the future direction identifying potential difficulties in advance.

Concurrent Control

This mode or phase of control is exercised while an event is taking place or as soon as possible after the event. This monitoring could be daily or weekly reports on aspects of college activity such as room utilisation.

Post-control

This is the poorest form of control as it is exercised after the event. Service has been delivered to clients and this review and evaluation attempts to assess the extent to which the organisation or sub-unit achieved its objectives.

7. Quality Management

Early private sector quality systems concentrated on inspecting end products and did little or nothing to improve the organisation's attitude towards quality issues in general and quality improvements in particular. Associated with inspection systems

are statistical quality control techniques. These techniques were concerned with developing effective acceptance sampling systems so as to ensure that samples were as representative as possible of the whole production batch. In the mid-1970s manufacturing companies found themselves being assessed for quality by their customers with each customer having slightly different quality requirements. In order to assist these quality assessments companies developed quality manuals to guide managers and employees through each stage of the quality assessment. It was at this point that manufacturing companies moved from systems centred on detection to systems focused on prevention. Eventually national and international quality standards were formalised such as BS 5750/ISO 9000. Whilst quality assurance systems provide for a fully documented approach to quality management, they do not, in themselves, lead to continuous improvements in quality management. This can only be achieved by the involvement of all of the people in the principles and processes of quality management.

Total quality management (TQM) involves the identification of customer requirements and a change in attitude and behaviour on the part of all working in the organisation. TQM seeks to instil into the organisation an awareness of the need for continuous and sustained improvement. Public sector organisations began in the 1980s to consider the ways in which the TQM approach could be applied to the management of performance in the public sector. TQM requires information on services provided and this can be achieved, in part, through performance indicators.

8. Performance Appraisal

Performance appraisal has been part of the management of human resources in both the public and the private sector for many years but in the 1990s there was a renewed interest, largely on the part of the Government, in promoting its wider use in the public sector. In Scottish further education the National Guidelines for Staff Development and Appraisal were published by the SOED in 1991 and include four fundamental purposes:

- the encouragement and support of staff in the successful acquisition of skills, knowledge, and experience to enable them to respond to the demands of their existing job;
- to provide a coherent framework for continuous professional development within which each member of staff takes responsibility for his or her personal development;
- to ensure that staff development and appraisal takes place within the context of the college's goals and as far as possible is integrated with the work of the college;
- to ensure that education and training services are efficient and effective in meeting students' and employers' needs (SOED, 1991b).

The first two purposes are clearly developmental, the third is about managing performance and the fourth is consumerism. Performance indicators could be used to provide data on all four purposes.

9. Consumerism and the Public Sector

Pollitt noted the growing trend towards consumerism in the public services:

- In hospitals, schools, housing schemes, advice and information services and many other aspects of public administration managers are being exhorted to pay more attention to consumer wishes, offer consumers wider choice, and develop techniques for 'marketing' their particular service.
(Pollitt, 1987, p. 43)

Consumerism involves shifting the balance of power in the provider/consumer relationship in favour of consumers. Potter (1988) has identified five key factors that provide a structural underpinning of consumerism:

1. Access
2. Choice
3. Information
4. Redress
5. Representation

People must first have access to the benefits offered by a product or service. Their choice of products must be as wide as possible to establish some measure of consumer sovereignty. Consumers need as much information as possible, both to enable them to make sensible choices, and to make the fullest possible use of whatever they are seeking. Consumers also need some means of communicating their grievances when things go wrong, and receiving adequate redress. Finally, they need some means of making sure that their interests are adequately represented to those who take decisions affecting their welfare.

These five tenets were first developed in relation to goods and services sold in the market place. Consumer choice plays a key role here. In relation to public services, the resources of the public sector are finite and limited, and distributed as an act of political will. Consumers may still have a degree of choice in some areas of public service e.g. between public and private providers of health and education but for many services there will be only one (public) provider and the consumer has only one choice, that is to use the service or not to use the service.

Consumerism seeks to provide mechanisms for redefining the relationship between public services and the public.

The concept of consumerism is supported by the Citizens Charter initiatives.

10. Consumerism in Scottish Further Education

In Scottish further education competition exists between public and private providers of education and training and between the various public colleges. The mode of competition is through college incorporation and changes to the environment of Scottish further education such as its funding and the Further and Higher Education Charter for Scotland (SOED, 1993b).

Improving accountability to consumers may lead to less public accountability. In Scottish further education incorporation results in colleges being funded directly by the SOED and managed by Boards of Management. By replacing the funding, managerial and accountability roles of the education authorities there will be less democratic accountability through regional and islands councillors to the electorate.

There is the possibility that by focusing on the consumers experience of the service measured through a range of performance indicators, there will be little concern with the quality of education provided for society at large or with the part played by education in economic regeneration (Wilson and Hinton, 1993, p. 139).

The further education service will act in isolation, as it is not part of the same organisation that provides school education, community education, pre-school education, social work, industrial development etc.

The appropriateness of information for monitoring performance is a key issue for accountability in the 1990s. Mayston has questioned the adequacy of the monitoring of the more autonomous public bodies:

One of the main reasons for the introduction of increased autonomy and greater devolution of decision making in the provision of public services as under the Local Management of Schools initiative, has been to increase the operational efficiency of the bodies concerned. However, greater autonomy and devolution also increase the extent of the formal principal /agent separation between the devolved agency and the principal, in the form of central (or local) government. (Mayston, 1992, p.225)

By putting further education services into the competitive environment of incorporation you may lose some of the benefits of a well-delivered public service. Nevertheless the movement towards competition creates an environment where there is a greater requirement for market-place surrogates such as performance indicators.

The Total Quality Management (TQM) dimension to Competing for Quality is only now being addressed by the public sector but the concern with quality is not an automatic development of competition but competition may create other reasons for stimulating quality awareness in public services.

11. The Citizens Charter

The Citizens Charter was launched in 1991 and covers all public services. The aim of the programme is to improve public services and to give the citizen a better deal by extending consumer choice and widening competition. Whether the service is provided by the private sector or the public sector, the aim is to ensure that the citizen gets good service and good value for money. The Citizens Charter also promises to improve services by setting standards and publishing them, giving the citizen more information about services, and a remedy if standards are not met. The Citizens Charter establishes 'Principles of Public Service' these are:

Standards - Setting, monitoring and publication of explicit standards for the services that individual users can reasonably expect. Publication of actual performance against these standards.

Information and Openness - Full, accurate information readily available in plain language about how public services are run, what they cost, how well they perform and who is in charge.

Choice and Consultation - The public sector should provide choice wherever practicable. There should be regular and systematic consultation with those who use services. Users' views about services, and their priorities for improving them, to be taken into account in final decision on standards.

Courtesy and Helpfulness - Courteous and helpful service from public servants who will normally wear name badges. Services available equally to all who are entitled to them and run to suit their convenience.

Putting Things Right - If things go wrong, an apology, a full explanation and a swift and effective remedy. Well-publicised and easy to use complaints procedures with independent review wherever possible

Value for Money - Efficient and economical delivery of public service within the resources the nation can afford. And independent validation of performance against standards.

(The Citizens Charter, First Report 1992, Cm 2101 1992)

The Citizens Charter declared a commitment to work to higher standards in public service and to consider the needs and wishes of those who use public services. The Government presented the ideas of the Citizens Charter as a tool kit rather than as a monolithic piece of legislation for raising standards in the public services. Public bodies should become more open and public officials less anonymous. Members of the public should know what standards to expect so that they could judge whether they had been adequately served. Public bodies should not discriminate between their customers and information should be provided in the languages of minority ethnic groups. When a service failed, the public should be given reasons for the failure. (Open University B887, 1993, Unit 11 p. 32).

In the Local Government Act 1992, The Publication of Information (Standards of Performance) Direction 1992, the Commission for Local Authority Accounts in Scotland has a duty to give such directions as it thinks fit for requiring relevant bodies to publish such information relating to their activities in any financial year as will, in the Commissions opinion, facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness) between:

the standards of performance achieved by different relevant bodies in that financial year; and
the standards of performance achieved by such bodies in different financial years. (Accounts Commission, 1993, p11).

Different areas of public sector service have produced their own Charters that set out standards of service to be communicated to clients and customers along with mechanisms for initiating complaints and seeking redress. The Further and Higher Education Charter for Scotland covers all colleges of further education in Scotland.

12. Applied Consumerism

Market testing and contracting out are well-established mechanisms within public services management in the UK. They are derived from the introduction of competitive forces to public service provision and are based on the premise that public service agencies need not provide all public services directly. Public service organisations can be 'enablers', that is, they can enable services to be delivered by a range of providers both public and private. Market testing allows public sector bodies to evaluate whether or not there are modes of service delivery other than direct provision that will enhance the service to the benefit of direct consumers and stakeholders (Falconer, 1999, p. 9).

Further education, like many other areas of the public sector, was charged with introducing enhanced levels of quality and client and stakeholder responsiveness. This began with the 'Responsive College Project' in the 1980s and continued to be a Scottish Office theme in relation to the quality of learning and teaching and indeed performance indicators were considered to be part of the drive for quality and responsiveness in their role as a marketplace surrogate.

Service First was launched in June 1998 to 'transform and modernise public services as part of the wider programme of Better Government' (Cabinet Office, 1998). Service First establishes nine new principles of public service that build upon existing Charter principles. These principles include a requirement to set clear standards of service that users can expect; monitor performance; and publish results following independent validation wherever possible. The principles are underpinned by the concept of partnership between users and providers in which both parties have important rights and responsibilities. Linked to Service First is an expansion of the Charter Mark Scheme whereby formal awards are given for the recognition and encouragement of excellence in public service quality (Falconer, 1999, p.1).

The Blair governments 'Modernisation Agenda' includes the advocacy of systems of performance management that incorporate bold aspirations; a coherent set of measures and targets; ownership and accountability; rigorous performance review; and reinforcements measures that reward success and reflect on failures.

This chapter reviewed a comprehensive range of influences on public management as a pre-cursor to a more focused consideration of the development and implementation of performance indicators and management changes in Scottish

further education. In Section A the contribution of 'Public choice Theory' to performance indicators was evaluated. Section B defined and explained the New Public Management and identified influences on its development both internationally and within the UK. In Section C the emergence of NPM as the key influence on the role of government in society was discussed. Section D reviewed key influences at an international level, on public management and the particular effects of globalisation and the internationalisation of public management. Hood (1992) and others have identified similarities between public management trends in industrialised countries. Developments in economics, politics and society at national and international levels have played a part in the changing nature of public management in the UK.

Scottish further education has been subject to all of these influencing factors albeit that the influences have been global rather than local. The international convergence in post-compulsory education has taken place largely irrespective of ideologies, politics or power relations. Halsey et al. (1997, p. 35), identified the key features of the international convergence as:

the development of mass tertiary education with significant increases in age cohorts; an overall increase in post-compulsory education; an emphasis on life long learning; attempts to break down the distinction between academic and vocational education; the devolution of decision-making; and the problems of funding the changes.

Halsey goes on to consider the underlying causes of these recurring changes. There is no doubt that they are, in part, a product of economic and social influences but there has also been, in many Anglophone societies, the imposition during the 1980s of the New Right ideology. Gamble (1994) sees this ideology as comprising a

neo-liberal view of individual freedom and the free market coupled with a traditional conservative view of the need for a strong state to promote moral and political order.

Given this central theme of less government and more market, it is not surprising that attempts were made to increase the market forces in further education through marketplace surrogates such as college incorporation and performance indicators. Brown and Christie (1996) recognise three aspects of marketisation: devolved decision making; a belief that competition promotes greater effectiveness through better management and leadership; and through client choice. All of these are manifest in the current system of further education. The PEST analysis in Section D moves the focus from the international to the national context by considering political, economic, social and technological change in the UK and its impact on public management. Particularly significant influences were the New Right's influence in the Conservative Governments 1979-97, the management of the UK economy 1975-99, UK society and its educational requirements and technological developments in data and information processing.

After Section D the chapter in the conclusion moved to a consideration of the roles and uses of PIs under three principal headings: Performance Governance, Performance Management, and Public Sector Consumerism. The UK Government has developed an increased range of mechanisms to support its control over the public sector. Performance indicators are clearly tools of performance governance as they facilitate a 'hands off' approach through the monitoring and evaluation of public sector organisational activity. Performance indicators are also tools of public managers as they attempt to operationalise their management roles and

responsibilities in the context of the New Public Management. They are particularly linked to a management control system where performance indicators can be pre-controls, concurrent controls and post-controls.

The public sector consumerism section considered the influences on performance indicators as market place surrogates providing information on organisational activity to clients and stakeholders. There has been a recent emphasis on service quality and responsiveness to clients and performance indicators can play a part in informing decisions on the extent to which public sector organisations are responding to client and stakeholder requirements.

Performance indicators are not value free much depends on who is using them and what they are supposed to be measuring. The development of PIs is a global phenomenon but there are differences in their origins, in the way they developed and in the way they are currently used. Performance indicators in public management have not developed irrespective of ideologies. The 'New Right' ideology appears to have triggered public management change in many western democracies. But public management change is a global phenomenon and has taken place in countries with different dominant ideologies. Performance indicators are tools of New Public Management and Public Choice Theory as well as tools of government, tools of managers and tools of consumers and as such are influenced by developments in performance governance, performance management and consumerism. Performance indicators in Scottish further education are, to a certain extent, the same as performance indicators in all areas of public management. However, the environment of further education creates the need for a particular

response to the range of environmental influences (near and far as well as past, current and future) on the management of Scottish further education.

This thesis focuses on the relationship between performance indicators and the New Public Management. By examining influences on performance indicators and the management of further education and, through empirical research, this research assesses user perceptions on the extent to which performance indicators are primarily tools of government, managers or consumers. This thesis considers the perception of each of these groups and relates them to the existing body of knowledge on performance indicators to derive conclusions on the implementation of PI systems. In order to establish the current state of knowledge underpinning this study, Chapter II considers the literature on performance indicators and public policy implementation.

CHAPTER II

LITERATURE SURVEY AND REVIEW

PERFORMANCE INDICATORS AND PUBLIC POLICY IMPLEMENTATION

Introduction

In this chapter a body of literature appropriate to the subject matter of this thesis is identified and considered. The purpose of this is to clearly establish the current state of knowledge relevant to this study. This thesis focuses on the implementation of public policy on performance indicators and managerialism in Scottish further education. The literature surveyed and reviewed therefore is as follows: the literature on developments in public management which impact on performance indicators (Section A); public policy implementation literature (Section B); the literature on performance indicators (Section C); the literature the implementation of performance indicators systems (Section D); and the literature on performance indicators and the management of lifelong learning (Section E).

This survey and review will confirm that the existing body of knowledge has been fully considered and will inform the development of the key questions being addressed by the empirical research. Conclusions derived from the study, as a whole, should contribute to the body of knowledge on public policy implementation, performance indicators and managerialism in the public sector.

Section A: Public Management Developments and PI Impacts

1. Management and PIs in Central Government Before 1979

In the late 1950's, there was growing concern over the way in which public sector organisations were managed. The Plowden Committee comprised both businessmen and consultants, and considered mechanisms for controlling public expenditure. The report also addressed the growing need for managerial skills in public sector organisations (Cmnd 1432, 1961). This was prompted, according to Ursula Hicks (Peacock and Robertson, 1963, p.155), by the Committee's reflections on the shortcomings of existing practices in the U.K. The Civil Service has been the centre of reforming attention throughout its existence but the pace accelerated from the Plowden Report onwards (Metcalf and Richards, 1987, p. 5). Management changes, which followed Plowden, included the establishment of the Centre for Administrative Studies, the greater use of management services and the setting up of the Public Expenditure Survey system.

The Fulton Committee was appointed in 1966 and was asked:

to examine the structure, recruitment and management, including training for the Home Civil Service and to make recommendations.
(Cmnd 3638, 1968)

In relation to the development of PIs, three aspects of Fulton's recommendations are worthy of closer examination:

accountable management;
management by objectives (MBO); and
hiving off.

Accountable management requires the accountable manager who has authority over part of an organisation's resources to answer for the results obtained from the

deployment of these resources (Garrett, 1980, p 130). Implicit in the Fulton proposals was the idea that internal accountability did not conflict with 'external' or public accountability (Garrett, 1980, p.134). The interest in MBO and performance appraisal was a reflection of a growing awareness that certain aspects of private sector management practice could be easily implemented in public management. From the late 1950's there was extensive interest in performance appraisal particularly as a consequence of Douglas McGregor's famous article 'An Uneasy Look at Performance Appraisal' (*Harvard Business Review* 35, 1957, pp. 89-94). In this article McGregor suggested a switch away from appraising personality and towards job performance, incorporating Drucker's Management by Objectives (MBO), which argued that the individual should be assessed against set goals (Drucker, 1957, pp.167-168).

'Hiving Off' involved areas of Civil Service work which could be entrusted to autonomous agencies which remained accountable to Parliament but outside the day to day control of ministers. This recommendation of Fulton raised parliamentary and constitutional issues beyond the Committee's terms of reference and it could go no further than to suggest an early and thorough examination of the possibility of a considerable extension of 'hiving off' (Garrett, 1980, p.55).

These three recommendations of Fulton collectively represented a major change of direction in British Public Management and had an effect on the development of the necessary pre-conditions for the introduction of PIs.

....there is a close link between the concepts of accountable management and such financial control concepts as output budgeting. If he is to be accountable, a manager must be given a budget of his own and be required to show what he has achieved with it. (Robertson, 1971, p.153)

In the period following the publication of the Fulton Report some additional departmental and non-departmental agencies were created, 'Hiving-off' was particularly attractive to the Heath Government (1970-74). Accountable management was applied within both departmental and non-departmental agencies but was not tried on a wide scale within departments. A Civil Service College was set up and a Civil Service Department established only to be disbanded in 1981. The Fulton Report may have been ahead of its time particularly in relation to the management development and management information systems implications of 'accountable management', MBO and 'hiving-off'. Public sector managers did not have the training to take on many of the managerial responsibilities implicit in 'accountable management', M.B.O. and 'hiving-off'.

There are several links between Fulton's recommendations and the development of PIs. The Fulton Report uses terms such as 'standards of achievement' and 'activity costs', both of which refer to forms of performance indicator. There were no direct references to the information being used by other persons or groups, external to the organisation, to assess the performance of the unit of management. Links exist between the means of achieving Fulton's recommendations and the development of PIs but the ends are different. Fulton sees the information primarily for internal use whereas PIs are used both internally by managers and externally by stakeholders.

In 1970, the Conservative Government issued a White Paper, Reorganisation of Central Government (Cmnd 4276, 1970). This paper set out the principles by which the extent of government responsibilities was to be determined and its functions distributed between the departments of Government. Although this paper was not

designed as a successor to the Fulton Report, its thinking was formed by the same general principles of management and its recommendations complemented the ideas Fulton put forward. Government would decide strategic objectives, against which policy proposals and programmes would be measured (Bourn, 1979, p. 9).

In 1977, the Expenditure Committee's Report on the Civil Service endorsed the Fulton Committee's recommendations for the introduction of accountable units. The Committee said that too few of these units had been introduced in Government departments. The Committee believed that improvements were necessary. To provide the basic information for accountable units to work, it would be necessary to provide adequate information about the parts of the organisation to which costs could be precisely allocated and benefits of the work quantified. The Government's response to the Committee was to accept 31 out of 54 recommendations but to rule out any reorganisation of central government, believing (in 1978) that accountable units could not be introduced as widely as the Committee suggested because the objectives of Government departments were:

complex and interrelated in a way and to an extent which limits the number of tasks to which this approach can be successfully applied.
(Peter Hennessey, *The Times*, 16 March, 1978)

By the late 1970's the Department of Health and Social Security had introduced arrangements for assessing the efficiency of their system for paying social security benefits and had also introduced arrangements for measuring the efficiency of the NHS. Statistical indicators of efficiency are of particular significance to the development of PIs. The DHSS recognised some of the pitfalls of using such indicators but believed that substantial deviations from national averages were

always signals for further enquiry (Expenditure Committee Session 1976-77 Volume II, pp.375-445).

2. Management and Pls in Local Government Before 1979

The Maud Report (1967) looked at management in local government. The importance of financial control was considered in relation to increasing levels of local authority expenditure:

... a local authority is hampered by having to deal with services to which the profits test can rarely be applied and to which accounting, costing or other numerical tests of success or failure are of only limited significance.
(Maud 1967)

The Maud Committee recognised the importance of value for money and mentioned financial measurement as an element in the process of obtaining value for money and the improvement of efficiency.

The Mallaby Committee (1967) was established to consider the recruitment and use of local government officers, and changes that might help to improve the services provided by local authorities. The Mallaby Report provided a particularly useful definition of local government management in the late 1960's:

Management involves the setting of objectives and planning how these objectives are to be achieved, the organisation and harmonisation of the work of various individuals and groups of people, the control of costs and the appraisal of results.
(Mallaby 1967)

Particularly significant are the references to controlling costs and appraising results.

The Hughes Committee (1968) was the Scottish equivalent of the Mallaby Committee and was established in June 1967. In relation to developments in

organisation and management with a link to PIs, recommendations 53 and 54 address the effective use of staff. There is a specific reference to performance:

Above all it demands the ability to establish good communication with subordinates and to analyse their performance accurately and objectively.
(Hughes 1968, para. 144)

Although the focus of Hughes, like Mallaby, was on staffing there was recognition of the need for managerial competence and management development in Scottish local government.

The Wheatley Commission (1966-69) focused on local government structure in Scotland. In relation to financial control, the Wheatley Commission recognised that Government controls over local authorities had developed in a haphazard manner and the result was:

cumbersome, time wasting and oppressive, and does not respect the constitutional status of local government.
(Wheatley, 1969)

The Commission formally stated that external controls should be replaced by internal control.

The Bains Report (1972) (England and Wales) and the Paterson Report (1973) (Scotland) advocated corporate management for the new local authorities, following local government reorganisation. A central tenet of both reports was the key role of the Policy and Resources Committee that would, among other responsibilities, would monitor and review the performance of the authority (Bains 1972, p.32). Thus:

..greater attention must be paid to the development of methods of assessing the effectiveness of activities against which progress and performance can be measured. For too long the main criterion of success has been the amount of resources put into a particular service with but little regard for its output.
(Bains, 1972, p.14)

This concern for output, progress and performance measurement indicated the growing concern with the extent to which local government outputs reflected the strategic objectives of the authorities.

Managerialism before 1979 stimulated an increased interest in performance related information. Developments in the Civil Service, Local Government and the NHS created a concern with the practice of management in the public sector. In addition, developments under the headings of accountable management, corporate planning, management by objectives and performance appraisal all contributed to the growing development of public management; while corporate management required public managers, for the first time, to develop plans based on objectives and to introduce managerial controls to review progress against stated plans and objectives. One technique for monitoring and reviewing at the level of the organisation or department was statistical indicators or PIs. PI information could be used by groups external to the organisation to inform them of the efficiency and effectiveness of the organisation.

PIs did not flourish in this period largely because of the technical difficulties associated with their production and the early awareness of problems associated with reliability and validity as well as their possible dysfunctional consequences.

2. Developments in the Post-1979 Period

2.1 The Efficiency Strategy

The Conservative Government elected in 1979 and headed by Margaret Thatcher was committed to a monetarist economic policy and to a reduction in the size of the

Civil Service. Efficiency in government was the initial prime objective. The 1979 election manifesto had pledged a reduction of 'waste, bureaucracy and over-government' and a search for economies in the cost of running the tax and social security systems. The Conservative Government White Paper on public spending (Cmnd 7746) in 1979 identified public expenditure as being at the heart of Britain's economic difficulties.

Monetarist economic theories consider inflation to be partly caused by excessive growth in the money supply and a major cause of excessive growth is excessive public expenditure. Cutting inflation requires a reduction in public expenditure. In the period from 1979 the Conservative Government pursued policies with the objective of tightening the control of public expenditure.

The Medium Term Financial Strategy (MTFS) was introduced to improve the co-ordination and control of expenditure levels, the growth of public spending, the Public Sector Borrowing Requirement (PSBR) and the money supply in the economy over a four-year period.

In order to promote improvements within Government departments, Mrs. Thatcher appointed Lord (then Sir Derek) Rayner as her efficiency adviser in 1979. Rayner was joint managing director of Marks and Spencer and had previous experience of the Civil Service as one of the businessmen imported into the Civil Service in the early 1970s as part of the Heath Government's attempts to introduce business management practice to the Civil Service (Harrison and Gretton, 1987).

Lord Rayner headed the newly created Efficiency Unit within the Prime Minister's Office and was physically located in the Cabinet Office. A chief of staff of under-secretary rank headed the Efficiency Unit. Lord Rayner was given responsibility for the implementation of the 'Efficiency Strategy' and the term 'Raynerism' was commonly used to describe the programme of efficiency scrutinies that constituted one area of this two-pronged efficiency drive. The scrutinies are a classical approach to successful change management. The process normally involved selecting targets within a particular department to be examined over a three-month period. There was close liaison between the Efficiency Unit and the department at all times; this was based on the belief that Ministers and their officials were in the best position to examine their use of resources. The self-examination process was, substantially, carried out by a member of the department. The Efficiency Unit role involved agreeing the terms of reference and intervening to strengthen these where appropriate.

The Unit also provided advice and a check on progress. The scrutineer reported to the minister responsible in the Unit. The focus of the final report was partly on making savings and highlighting inadequacies and partly on more 'lasting reforms'. By working with the department the approach sought to gain the commitment of those responsible for implementing the efficiency recommendations and should thus minimise resistance to change.

The 'lasting reforms' are the second element of the scrutiny programme with the objective of forcing a re-examination of basic assumptions about the organisation and management of government departments. Following the re-examination

process there was to be in place a self-reviewing system which continuously appraised its external environment and its internal operation with the objective of being pro-active, by adapting to change and by improving managerial performance and the performance of the system for which those who managed in the department were responsible. The combination of external pressure and internal commitment to change created a positive environment for successful change.

By the end of 1982, when Lord Rayner gave up his position, over 133 scrutinies had been completed with recommendations for once-and-for-all savings of £56 million and recurrent savings of £400 million and 21000 posts per annum. Firm decisions had been reached on £29 million once-and-for-all savings, with annual savings of £180 million and 12000 posts (Metcalf and Richards, 1987).

In relation to PIs, the scrutiny programme offered the possibility of comparisons where different departments tackled similar problems. However, in 1981 an appraisal conducted by the Civil Service Department to evaluate the possibilities for inter-departmental comparisons of performance identified only limited possibilities. The main benefit of efficiency scrutinies was to emphasise the importance of improving management accounting to ensure that costs were known and to promote inter-departmental comparisons.

Metcalf and Richards (1987, p. 124) argue in support of the efficiency strategy with its immediate effects in relation to savings and its longer-term benefits to management. Pliatsky (1985, p.70) suggested that much of the savings were attributable to the blunt instruments of cash limits and manpower targets and that these were: "the Treasury's surrogates for the pressures of the market".

The scrutiny programme did have a positive effect on the departments and produced a more considered approach to reductions in staffing and spending. There is little doubt that there were efficiency opportunities but as more and more efficiency measures were taken the quality of service provision had to suffer and stress on staff must have increased as workloads increased, radical changes took place and resourcing was reduced. This combination of resourcing and staff stress must have had an effect on staff morale and therefore on client satisfaction rates and staff attitudes.

2.2 The Financial Management Initiative (FMI)

The 1982 White Paper 'Efficiency and Effectiveness in the Civil Service' (Cmnd 8618) identified three conditions influencing good management:

There should be a clear view of objectives by managers and the means to assess, and wherever possible measure, outputs or performance in relation to those objectives;

well-defined responsibility for making the best use of resources including a critical scrutiny of output and value for money; and

the information (particularly about costs), the training and the access to expert advice which they need to exercise their responsibilities effectively.

The capability of Ministers to implement the FMI was greatly enhanced by the development of comprehensive management information systems developed initially within the Department of Environment following a Rayner Scrutiny in 1980.

The information system for ministers, known as MINIS, was designed to enable ministers to obtain a clearer picture of the highly fragmented activities taking place in a large department through a process of:

- objective setting;

- strategic management; and
- monitoring and control.

MINIS required the directorates that formed the main sub-units of the department to provide information on their activities and objectives, and the priorities attached to these activities.

The result was a greater awareness of the managerial roles of civil servants and in particular the role of senior civil servants in the strategic management of their departments.

The Financial Management Unit was replaced at the end of 1984 by the Joint Management Unit and in 1985 a report entitled “Policy Work on the Financial Management Initiative” called for policy divisions to take responsibility for the performance of the policy process, including policy formation, implementation and review. Poor performance was explained by a failure to align those three stages. Particular emphasis was placed on the importance of assessing the impact of expenditure on objectives, and on the responsibility for feeding that information back into the cycle at the re-formulation stage. Policy proposals should have appended:

- the costs associated with them;
- an assessment of the directorate’s performance on each activity; and
- a forward look to set standards for future performance.

The main difference in this “control loop” approach from that which was attempted previously was the degree of involvement of ministers and the publication of reports. Collective decisions were made on a higher level, and compliance was required. MINIS moved from optional to authoritative decisions when it was incorporated into the FMI.

The objective of the FMI was to bring about fundamental reforms in the management and control of public spending and it was introduced in May 1982. It required a dedicated unit comprising civil servants and outside management consultants. This was the Financial Management Unit. The FMI sought to combine efficiency scrutinies with a sophisticated management information system (MINIS) in an effort to change the financial awareness of civil servants. The FMI did this by establishing a system whereby managers at all levels had clearly defined objectives, plans and standards of achievement. These were supplemented by support systems which:

- allowed access to comprehensive management information systems;
- clarified costs for various activities;
- clearly defined responsibilities regarding the use of allocated resources and efficiency;
- allowed access to expert advice; and
- provided training where necessary.

The thrust of the FMI was not dissimilar to the Fulton Committee's advocacy of accountable management and experiments with management by objectives (MBO). Flexibility was essential within departments to adapt to the new system and change had to have the support of all levels of staff and not solely Strategic Management. The FMI was introduced in a staged manner. First, there was a focus on the development of information on administrative costs broken down to the lowest level possible. Second, there was the allocation of responsibility and accountability to cost centre managers or budget holders giving them powers of virement between budget heads. This stage required extensive training as many civil servants has not been previously required to consider the costing and budgeting of their activities (Harrison and Gretton 1987, pp.22-41).

Carter, Klein and Day (1992, p.17) argue that the FMI in the UK represented a move to institutionalise the search for efficiency and to generalise the attempts to change the management culture of Whitehall. The focus was on government outputs as opposed to inputs as the FMI challenged the way in which the public sector had gone about its business for over a century:

The language of the FMI was also the vocabulary of business management, it is not surprising that the Thatcher government learnt to use it.
(Carter, Klein and Day, 1992, pp. 22-23)

Performance indicators were established for all kinds of governmental activity and emerged as tools of the FMI during this period. Hughes (1998, p. 183) comments that on the evidence of the FMI governments are likely to increase the use of performance indicators, as the managerial system takes hold. Maintaining control of implementation and at the same time decentralising operational responsibilities necessitates the use of performance indicators. PIs can be both a threat and an opportunity as they can highlight strengths in relation to performance but can also identify perceived performance weaknesses. The FMI also introduced greater use of objective setting and PIs became the tools used by public managers and politicians to measure progress towards objective attainment.

Gray et al. (1991, p.52) studied the implementation of the FMI and concluded that there was some disillusion with its implementation and this reflects the nature of public sector organisations as both administrative and political entities:

But the balance of advantage in resource allocation has shifted in favour of those who can exploit the very marked emphasis on economic rationality expressed in the FMI rules and systems.
(Gray et al., Ibid.)

As Carter, Klein and Day (1992, p. 183) argue, the real challenge is to move from an exclusively managerial view of accountability and the role of performance indicators, to a wider political definition. Greater diversity is required in the form and focus of PIs. Indicators should measure effectiveness and quality rather than efficiency and outcomes instead of outputs Flynn, 1997, pp. 170-185). Gray et al (1987) conclude that :

Attacking performance indicators is without doubt, a much easier game than constructing them.
(Gray, Ibid. p. 18)

2.3 The Next Steps Initiative

The 'Next Steps' initiative was the result of a report known as the Ibbs Report, but its full title is Improving Management in Government: The Next Steps. A report to the Prime Minister (HMSO 1988). The report identified key weaknesses in the management of the Civil Service:

- the Civil Service is too big and diverse to be managed as a single entity;
- too little attention is paid to outcomes;
- Ministers have too little time to bring about change; and
- staff would welcome more clearly defined management.

The model put forward by Sir Robin Ibbs and carried forward by Sir Peter Kemp has been refined but not basically altered. The first stage is to identify an area of Government activity that could function as a semi-independent organisation or agency. The agencies remain within government but they are set up specifically to deliver particular services or products such as driving licenses, passports, social security benefits and so on. The next stage is to appoint a Chief Executive with responsibility to ministers for delivering the agency's service.

The 'Next Steps' initiative is clearly underpinned by the 'New Right' ideology and 'Public Choice Theory' as it moves the public sector and its management further along the continuum between public administration and privatisation.

The Conservative Government (1992-97) was committed to increasing the number of agencies as far as practicable. Each agency has a framework document that states the job to be done, the lines of responsibility, and the extent of managerial independence. The document, which is published, sets out in a semi-contractual way the duties and responsibilities on both sides of the relationship between minister and chief executive. Through it, and the corporate and annual plans that support it, ministers lay down targets for the standards of service that the agency is to deliver, and establish the chief executive's budget.

The 'Next Steps' initiative is designed to promote as much managerial independence as possible by creating an organisational structure and climate where staff can respond directly to the needs of their clients.

The Efficiency Unit put forward a number of ideas for developing the roles of both departments and agencies in support of ministers. Departments must:

- provide well-informed and authoritative support in order that ministers can give agencies clear strategic direction;
- determine the financial resources to be made available;
- set robust targets for the quality of service;
- set robust targets for financial performance and efficiency; and
- call chief executives to account for their performance.

Several of these ideas are dependent on the availability of performance data in the form of performance indicators. Evidence from this period shows that PIs had some

success in contributing to greater economy and efficiency, but did little towards measuring effectiveness, quality of service or attention to the consumer, let alone improving them (Carte et al., 1992; Pollitt, 1993).

Chief executives have increased personal responsibility and authority for running their organisations in order to achieve the progressive improvements that are required (The Next Steps Agencies Review 1992. Cm 2111. HMSO, 1992).

In this system PIs became increasingly used as a means of devolving responsibility away from the centre indeed, PIs were the key vehicle for implementing many of the 'Next Steps' reforms. As a consequence of the process of delegation more sophisticated output and effectiveness measures began to appear. With the formation of agencies and the appearance of carefully negotiated business contracts with specific performance targets agreed for the agency, it was vital that these targets were based on robust PI systems (Carter, 1998, pp. 189-190). There is a clear link here between the demands of NPM, 'Public Choice Theory and Managerialism and the development of performance indicators in public management.

2.4 The Citizens Charter

The Citizen's Charter was launched in 1991 and covers all public services. Different areas of public sector service have produced their own Charters that set out standards of service to be communicated to clients and customers along with mechanisms for initiating complaints and seeking redress. The Further and Higher Education Charter for Scotland covers all colleges of further education in Scotland.

In June 1998, following public consultation, the Labour Government re-launched the Citizen's Charter under its new title of Service First. A principal objective of the initiative is to establish a 'bottom-up' approach to service quality by encouraging public sector organisations to develop charters through a process of interaction with their staff and their stakeholders (Falconer, 1999, p.2).

The use of PIs developed further as a consequence of the Citizen's Charter and the new orientation towards the consumer. This movement encouraged the development of consumer feedback mechanisms, charter marks and client charters. Public sector organisations publish measures of performance on an annual basis (Carter , 1998, p. 190).

2.5 New Labour and Public Management Reform

The emphasis of Tony Blair's administration is to continue to emphasise the importance of results and to re-organise the machinery of government to reinforce 'the centre'. Many of the reforms of the Thatcher-Major era remain in place. Prior to the 1997 General Election, the neo-liberal thinking which provided the impetus for reform under the Conservatives was under attack from 'New Labour' with its concern for communitarianism and stakeholderism. Early targets for the Blair administration included the revamping of the NHS patient's charter to incorporate a greater range of quality of care indicators. Counterbalancing the acceptance of markets with policy interventions to strengthen social cohesion was very much in accordance with the notion of a 'third way'. 'Smarter' use of public money is to be achieved through the tighter monitoring and evaluation of the efficiency and effectiveness of public spending by a Cabinet Committee. The Blair Government is committed to both

continuity and change in relation to NPM and therefore to the use of performance measurement and charged his new Cabinet Secretary with strengthening 'the centre' of government to develop its strategic capacity, ability to progress-chase policies and promote greater organisational cooperation. All of these necessitate comprehensive performance monitoring systems (Painter, 1999, pp. 94-112)

3. The Impact of the Post-1979 Changes

Following the general movement towards performance measurement in the public sector promoted by central government, there was a need to operationalise the performance assessment and measurement demands of politicians and funders. Performance assessment was high on the Conservative Government's agenda in 1979 and its high profile, as a means of promoting performance governance, remained throughout the 1980s. Further pressure was placed on public managers by the drive to extend the scope of performance measures in response to the Next Steps initiative and the Citizen's Charter. Pollitt (1994, p. 12) criticises the Charter initiatives for being 'top down' from governors to people. The concept of citizen is based on individualism with little concern for the community. There remains, in the late 1990s, positive environmental support for performance assessment. The change of government in 1997 did not change the drive for improvements in the management of public services and there therefore remains a powerful lobby for performance assessment and performance indicators as tools of performance governance. There is an underpinning premise that competition and market mechanism will provide choice, ensure quality and enhance value. Accountability is not through the political process but through providing information and setting standards.

Public managers have had to respond to these influences by exerting greater managerial control over their range of responsibilities. This resulted in the development of performance assessment and performance indicators as tools of managers and the extension of managerialism in the public sector. Managerialism can be interpreted as the greater use of management theory and strategic management processes in an effort to enhance organisational performance. Performance indicators are the tools to underpin this measurement and assessment process. Performance in the public domain is, according to Stewart and Walsh (1994, p. 45), an elusive concept and Carter (1991, p.99) sees it as a complex and contestable concept. Despite these concerns, public managers had to provide performance-related information to government, funding agencies and the general public. The consensus view of commentators is that if a performance system and its indicators are designed with specific objectives and a clear vision of how it will be used, then its overall purpose and its results will be more easily understood, despite the complexity of public sector performance. This view is qualified by Stewart and Walsh (ibid, p. 46) who state that performance assessment is a matter of judgement which can be informed by performance measures but which can never be determined by them.

Rogers (1990) and Carter (1988 and 1991), highlight three main areas of the wider context of public service delivery which are relevant to judgements of performance: stakeholder impacts; environmental pressures; and ownership of performance. In the public sector, the provision of services is undertaken for the benefit of society and, as such, has multiple constituencies and multiple stakeholders to address (Kanter and Summers, 1987, p. 233). Differing political values and an imbalance in

power relationships create a context of antagonism. The more the tasks in hand raise political issues, the more complex the performance assessment (Stewart and Walsh, 1994, p. 49). Environmental pressures are dynamic and are often completely outwith the control of public managers (Carter, 1991, p. 94). The ownership of decisions and accountability for their consequences has become blurred due to the increasing complexity of public services provision as a consequence of compulsory competitive tendering and public private partnerships. Given the complexity, interdependence and partnership functions now inherent in the public sector and the consequent emphasis on maximising joint inputs to action, clarity of purpose and performance assessment, there has to be clearly understood inter-relationships which are understood by all providers. Equity can be difficult to achieve in such circumstances, as it must involve balancing, sometimes conflicting, demands on resources from the multiplicity of stakeholders. This will inevitably result in a degree of insensitivity to the aspirations of some stakeholders in favour of others, especially those with the least resources, limited power and influence and most vulnerability (Carter, 1991, p. 92).

NPM advocates the emergence of the post-bureaucratic organisation where there is less 'hands-on' government but neo-Taylorist arguments have been used to justify greater control over performance by funders and government. There has been a shift from input controls to output controls but this has not resulted in greater flexibility and looser control within organisations. UK public sector organisations appear to be overwhelmed by forms of performance monitoring including scrutinies, audits, performance review systems, peer assessments, appraisals, statistical returns etc. (Hoggett, 1996). As a consequence of this there appears to be a

contradiction in the role of PIs in public management. PIs can be a tools of 'hands - off' performance governance or they can support a rational-systems model of control that could be termed neo-Taylorist.

The Blair administration is committed to the extension of inter-agency collaboration. This concept of network governance, according to Painter (1999, pp. 94-112), lies somewhere in the grey intermediate area between the extremes of hierarchy and market.

This study will examine the perceptions of stakeholders and managers in Scottish further education to assess their perception of the way in which PIs are used in Scottish further education.

Section B: Literature Survey and Review on Public Policy Implementation

Introduction to Literature Review

This thesis examines the public policy in relation to Scottish further education and this section of the literature review considers academic writings on public policy implementation. Much of the existing literature is based on the analyses of case studies where the objectives of the policy were not fully realised. From these case studies academics have derived models for the analysis of public policy implementation. Elmore (1978, p. 129) states that:

No single model captures the full complexity of the implementation process.

This review utilises a framework for analysing that combines the Hogwood and Gunn (1984, p. 4) model of the policy process with the Hicks and Gullett (1981, p. 54)

model of control phases. The policy process model of Hogwood and Gunn identifies nine stages:

1. Issue search or agenda setting
2. Issue filtration
3. Issue definition
4. Forecasting
5. Setting objectives and priorities
6. Options analysis and option selection
7. Policy implementation, monitoring and control
8. Policy evaluation and review
9. Policy maintenance, succession or termination

Implementation is only one element of this model but successful implementation requires effectiveness at each and every stage of the policy process (Dunsire, 1978, p. 50). Stages 1-6 concern policy formulation and, essentially, address the environmental circumstances affecting the issue and the appropriate policy to achieve particular objectives. These stages require a consideration of the past, sensitivity to present circumstances and a vision for the future. This is, in the terms of Hicks and Gullett (1981, p.100), a pre-control phase, which sets out a course of action to achieve a particular purpose. Stage 7 is where the policy is actioned by public and private individuals (or groups) to achieve objectives set forth in prior policy decisions (Van Meter and Van Horn, 1977, p. 447). This is the concurrent control phase. Stages 8 and 9 involve a backward look at the process and the consideration of performance achieved in relation to output and outcome at the end of the implementation activity. These stages are essentially therefore, post-controls in that they are summative assessments of policy outputs and impacts.

This review begins by considering the top-down/bottom-up debate on policy implementation before focusing on the implementation literature over a 25 year period under the three headings of: implementation literature and pre-control;

implementation literature and concurrent control; and implementation literature and post-control.

1. Top Down and Bottom Up

The 'top-down' perspective, according to Barrett and Fudge (1981, pp. 3-32) falsely assumes that all initiative is from the top or centre along with the ability to control the periphery or subordinate actors. The 'bottom-up' perspective considers policy makers and implementors as more equal and the interaction between them is crucial to the study of policy implementation. Individuals' and organisations' actions and reactions may determine policy as much as policy itself determines actions and responses. Successful implementation depends on achieving consensus in the policy process. Marsh and Rhodes (1992), suggest that there is a choice between ways of looking at the policy process between the 'top-down' and 'bottom-up' approach. Hill (1997, p. 377) acknowledges that in British public administration there has been substantial change, clearly initiated from the top (Government). Dramatic value shifts through institutional changes have been promoted through public policies in areas such as further and higher education. According to Hill (1997, p. 383), Government in the period from 1979 has not demonstrated any great concern for consensus in the policy process. Hoggett (1996, pp. 9-32) comments on the ways in which Government has tried to combine 'rowing' and 'steering': intervening inconsistently, using controls - particularly output controls - that are susceptible to manipulation and undermine trust. Hill (1997, p. 383) concludes that the analysis of policies does not require the prescription of a correct starting point at the top or the bottom.

2. Implementation Literature and Pre-Control

Policy failures can be attributed to bad policy, bad execution or bad luck (Hogwood and Gunn, 1984). The formulation of policy stage is crucial to the likelihood of policy success. The implementation literature on issue search and agenda setting, identifies problems associated with the quality of environmental scanning, environmental awareness and environmental analysis. Van Meter and Van Horn (1977) and Hood (1976) recognise the importance of environmental sensitivity. The term 'macro-environment' is commonly used to describe the major forces which confront organisations i.e. demography, politics, economics, sociological trends, technology, legislation and culture (Kotter, 1980). Fahey and Narayanan's (1986, pp. 28-34) model of the macro-environment offers a framework of analysis for identifying, tracking, projecting and assessing environmental trends and patterns. This model encapsulates a range of public policy issue search and agenda problems, which result from inadequate environmental scanning.

Filtration and definition involves making decisions on those issues to be addressed by policies and the clarification of such issues. Hood (1976) refers to the political acceptability of issues and the extent to which issues are manageable. Mazmanian and Sabatier (1981 and 1983), in their framework for analysing implementation see the tractability of the problem as the key issue. They identify four dimensions of this: availability of theory and technology; diversity of target group; target group as a percentage of population; and the extent of behavioural change required. Van Meter and Van Horn (1977) consider the problems associated with the awareness on the part of the policy formulator of the amount of change required and the extent to which there is agreement on the goals among the participants in the implementation

process. This clearly requires an awareness of the current position (position statement) and a vision of the desired future to enable a comparison to be made between the two (gap analysis). There is also a need for sensitivity and empathy to better understand the likely reaction of people to policy goals. Van Meter and Van Horn hypothesise that implementation will be more successful where only marginal change is required and goal consensus is high.

Problems arise when there is imperfect knowledge of the issue thus preventing its accurate definition (Fesler, 1980, pp. 256-293). King (1976, pp. 162-174) makes a similar point:

An organisation might fail to achieve its objectives because the decision-takers did not know or understand what they needed to know or understand.

There is clearly scope for this competency problem to manifest itself at both the level of the politician and at the level of the implementor.

Forecasting requires knowledge of techniques, their limitations and their value. Hogwood and Gunn (1984, pp. 128-129), recognise that forecasts cannot predict the future but can assist decision-makers. Policies may be based on an inadequate understanding of the complexities of a problem. Pressman and Wildavsky (1973), describe any policy as a hypothesis, which contains initial conditions and predicted consequences. Thus every policy incorporates a theory of cause and effect and, if the policy fails, it may be the underlying theory that is at fault rather than the execution of the policy. Pressman and Wildavsky (1973), recognise the importance of the links in the chain of causality. The greater the number of links in the chain between cause and effect, the more complex the implementation becomes.

Setting objectives and priorities as part of the pre-control phase involves considering the coherence and compatibility of the objectives and the extent to which there is consensus over the priorities identified in stated objectives (Ingram and Mann, 1980, pp. 11-32). Management theory contains many references to objectives that should be specific, measurable, achievable, realistic and time limited (SMART objectives). Objectives according to Gunn (1978), should also be understood and agreed, mutually compatible and supportive, and provide guidance for concurrent controls that monitor the extent to which pre-determined objectives are being pursued and attained.

Hood (1976) uses the term 'external conditions of perfect administration' to describe the 'ideal' situation where there are unlimited material resources, unambiguous overall objectives and perfect political acceptability of the policies pursued. He also comments on the problems that arise when these external conditions of perfect administration are relaxed.

Stage six of the policy process concerns options analysis and option selection. In Dunsire's (1978) model he states that:

Assuming Government has arrived at a correct and appropriate policy objective, a failure of implementation might occur because: an inappropriate strategy was chosen; or within an appropriate strategy, inappropriate Government agencies or machinery were selected; or inappropriate options were selected.

Underpinning the policy planning (pre-control) elements is the support for the policy in the form of time and adequate resources. Hood (1976) identifies this as one of his five 'internal' components of perfect administration. Gunn (1978), Van Meter and Van Horn (1977), Fesler (1980) and Mazmanian and Sabatier (1981 and 1983), all

identify the critical need for financial, human and other resources, including time, to be allocated appropriately to support policy implementation.

The selection of an appropriate implementing agency was identified by Van Meter and Van Horn (1977), as essential for successful implementation. In addition, they identified a number of characteristics which may increase an organisations capacity to implement policy, these are: quality and quantity of human resources; control capability over sub-units; political resources; organisational vitality; the degree of open communications; and the agency's formal and informal linkages with the policy-making or policy-enforcing body.

3. Implementation and Concurrent Control

At this stage in the policy process, the policy is actioned by organisations and individuals charged with this responsibility. The actioning includes the monitoring of progression achieved compared to desired progression. Hood (1976), identified five major conditions as the 'internal' components of perfect administration:

- A unitary administrative system;
- Uniformity in norms and rules;
- No resistance to controls;
- Perfect co-ordination and perfect communication; and
- Adequate time to utilise resources.

Failure to achieve perfect administration in any area of the above five could lead to implementation problems. Ingram and Mann (1980) identify the need for a high status initiator of implementation, what the organisational behaviour literature might call 'an influential champion'. Dunsire (1978) recognises the need for a competent Project Manager to oversee the stages of policy implementation. Linked to this are the need for technical project planning and the use of techniques such as Network

Planning and Critical Path Analysis to identify tasks, relationships between tasks and the logical sequence in which they should be performed (Gunn, 1978).

Van Meter and Van Horn (1977), focus on dimensions of the disposition of implementors and identify three crucial elements affecting their willingness to carry out the policy: their cognition (comprehension and understanding) of the policy; the direction of their response towards it (acceptance, neutrality or rejection); and the intensity of that response.

Several writers identify timing as a factor affecting implementation. The basic argument is that, depending on the policy, some times are better than others for achieving successful implementation. The commitment to the policy may be at its highest in the early stages following formulation, if delays occur electoral changes and declining interest may adversely affect commitment and the likelihood of success (Gunn, 1978, Hood, 1976 and Ingram and Mann, 1980).

Hood (1976) recognised that implementation is far more likely when compliance is guaranteed. This requires the policy formulator to be in a position of power over the implementor to ensure compliance with policy directives. Fesler (1980), comments on the importance of effective leadership and problems often arise when leadership changes. Effective communication at this stage of the process is essential and failures at any point in the accurate transmission and receiving of information will result in delays and inappropriate action, leading to misunderstanding and errors. Management information systems provide data on the extent to which desired

performance is being achieved and these should be effective (Fesler, 1980 and Dunsire, 1978).

Ingram and Mann (1980) make an interesting point on policy rejuvenation. Old policies, unless they have gone through a period of reform and rejuvenation, tend to be ineffective policies. Policies should therefore not be perceived as 'old wine in new bottles' but must be substantially revised and appropriately contextualised to meet the stakeholders expectations.

4. Implementation and Post-Control

Stages eight and nine in the policy process provide essential feedback on policy success. No policy process is complete without considering policy outputs and policy outcomes. There are often unintended consequences, difficulties in implementation or changes in circumstances, which lead to policy failure. Hughes (1998) considers the post-control stage of review and evaluation to be fundamental to any policy, no matter how it is derived. The conclusions from review and evaluation often lead to policy revision and further initiatives constituting issue search and agenda setting (stages one and two). The policy process can only be cyclical if the post-control activities inform planning activities. Policy failures, according to Hogwood and Gunn (1984), may arise because of bad policy, bad execution or bad luck. Unless there is review and evaluation the policy stakeholders, including policy formulators, will not be in a position to reflect on the policy output and outcome and assess the next course of action whether it be policy maintenance, policy succession or policy termination.

Mazmanian and Sabatier (1981 and 1983), identify a number of key aspects of policy output such as compliance by target groups, actual impacts, perceived impacts and the evaluation of the policy by the political system. The term 'stakeholder perceptions' covers the range of parties with direct and indirect interests in the results of the policy both in the short term and in the longer term. Ingram and Mann (1980), conclude that there are few hard and fast rules about what makes for successful implementation and what works in one setting often fails in another. Local factors and characteristics unique to specific implementation contexts have strong direct effects on outcomes. Dunsire (1978), comments on an ideal policy process that overcomes all of the problems associated with the formulation and implementation stages. But, though all of these dangers were surmounted, nevertheless something else can go wrong at the operational level including the response or reaction of those affected being other than had been calculated. This leads to the conclusion, that success and failure is unpredictable and luck has a part to play in policy implementation.

To conclude, Barrettt and Fudge (1981), introduce an interesting aspect of review and evaluation. In some situations there need not be a policy output or outcome to consider as activity ceased at the policy formulation stages. The policy in such circumstances becomes a substitute for action and this may be sufficient to appease pressure groups. This approach may be useful when confronted by a problem, which is difficult to address (low tractability), and policy implementation activity may result in no tangible signs of improvement. The policy as a statement of intent is a substitute for action.

Commentary

There has been concern for many years about the tendency to blame administrators for policy failure. The first major study of the implementation process was by Pressman and Wildavsky published in 1973 and since then many academics both in the USA and the UK have made interesting contributions to the body of literature on public policy implementation. This review has followed a structure based on a rational model of the policy process summarised by Hogwood and Gunn (1984) but, in addition, their process has been linked to an organisational control model. The literature generally fits this combined model and this review clearly concludes that the existing literature tends to concentrate on the pre-control or planning phase. Many writers advocate more rational and systematic policy planning where the potential implementation problems are addressed before they arise. There is less literature on the ways in which the policy is operationalised through implementation and on the stages addressing review and evaluation. The implementation literature is therefore targeted at policy formulation and policy planning.

Implementation models tend to be relatively complex but common variables do emerge from the literature. The Gunn model of perfect implementation (1978) provides as comprehensive a model as exists. It identifies ten pre-conditions of perfect implementation:

- Circumstances external to the implementing agency do not impose crippling constraints.

- Adequate time and sufficient resources are made available to the programme. Not only are there no constraints in terms of overall resources but also that, at each stage of the implementation process, the required combination of resources is actually available.

- The policy to be implemented is based on a valid theory of cause and effect. The relationship between cause and effect is direct and there are few, if any, intervening links.

There is a single implementing agency, which need not depend upon other agencies for success, or, if other agencies must be involved, the dependency relationships are minimal in number and importance.

There is complete understanding of and agreement upon, the objectives to be achieved; and these conditions persist throughout the implementation process. In moving towards agreed objectives it is possible to specify, in complete detail and perfect sequence, the tasks to be performed by each participant.

There is perfect communication among, and co-ordination of, the various elements or agencies involved.

Those in authority can demand and obtain perfect obedience.

This 'ideal' model is a representation used by Gunn as an aid to understanding where implementation can go wrong. If any of these pre-conditions of perfect implementation are not met then the policy may not be effectively implemented.

In this review of the policy implementation literature over 40 potential implementation problems were identified through a process of abstraction from the writings of implementation theorists. Most of the literature is based on case studies of public policy failure and many theorists group their findings into several broad headings of related problems (Hood, 1976, Gunn, 1978, and Mazmanian and Sabatier, 1981 and 1983). Much of the earlier writings of the 1970s have been criticised for being over descriptive but academics in the 1980s and 1990s formulated prescriptive conclusions to improve the academic standing of public policy implementation. The literature as a whole concentrates on getting the policy right by considering, as rationally as possible, potential problems of public policy implementation. The consensus emerging from the literature is that by addressing potential implementation problems at the policy planning stages you create or formulate policies that are more likely to be effectively actioned. The logic of this cannot be disputed. However from the analysis of the literature in this section it is apparent that there is insufficient attention given to the operationalisation of public policies.

The question faced by administrators of 'what to do with a policy ?' remains largely unanswered by this literature. It appears to be based on the assumption that those responsible for implementation are (using Hood's terminology) 'perfectly competent'. Hill (1997, p. 150), comments on the downturn in the volume of empirical study and academic writing on policy implementation. This may be because many implementation problems are already known and, more importantly, because of the change from public administration to New Public Management (NPM), there is less concern amongst policy makers with 'how' the policy is implemented as long as it is implemented.

The New Public Management (NPM) has shifted the onus of effective implementation from the public policy formulators to those organisations and individuals charged with responsibility for implementation. Such implementors have limited control over policy content and policy planning but must nevertheless operationalise implementation, often acting in a relatively autonomous manner. For example, colleges of further education, as a consequence of incorporation, act independently to promote the Government's policies on lifelong learning. Such delegation of responsibility is part and parcel of the NPM and requires more people to possess policy implementation competences. This competency enhancement cannot be achieved without comprehensive training and development programmes, which address, as an essential component, policy implementation. There has been a tendency in recent years to replace public administration training and development with generic management training and development but this does not address the special nature of management in the public sector. Public policy implementation literature tends to reflect the public administration context of its heyday in the 1970s

and early 1980s. The focus then was on improving policy formulation to take account of potential implementation problems and thus to counter the failures due to bad policy identified in the multiplicity of real case studies. However, there has clearly been insufficient attention given to policy failures due to bad execution and bad luck. This, coupled with the changing context of public policy and the advent of New Public Management, has shifted practitioners' requirements. Public managers need theory from the academic literature to guide practice.

Policy implementors are public managers and, as such, need (and want) training in strategic and operational management to develop competences, including: public policy implementation; project management; operational planning, monitoring, review and evaluation; leadership and motivation; communication; and the management of change. Academics should respond to these requirements by developing an underpinning body of literature, which examines public policy implementation in the context of the New Public Management. This thesis is one such study. Further development of empirical research and subsequent academic literature should improve the existing knowledge of public policy implementation and thus reduce policy failure due to bad execution. Such a trend may also reduce failures due to bad luck provided the misfortune was actionable and not an 'act of God'. There will always be policy implementation failures due to unforeseen circumstances in the real world but public policy implementation literature has tried to make all stakeholders more aware of those factors likely to contribute to such failures believing that being forewarned allows for forearming.

Section C: Literature Survey and Review on Performance Indicators In Public Management

Introduction to the Survey

This section begins by answering the 'what?' question and defines performance indicators. PIs can be used to assist public managers in their complex roles as managers of resources in the public domain where they are accountable for their actions to many stakeholders. PIs is a term subject to many definitions, and this section, in Part 1, considers these definitions and attempts a classification of types of performance indicator. Such initial clarification of terminology will provide a working definition for use in the subsequent study of PIs in Scottish further education

1. Literal Definition

Performance is defined in Chambers Twentieth Century Dictionary as (among other things): 'manner or success in working'.

The Oxford Dictionary defines an indicator as 'that which points out or directs attention to something'.

The Penguin Pocket Thesaurus identifies a number of possible meanings for the term 'performance indicator' such as 'a pointer, clue or signpost to an operation or action'.

2. Performance Indicators in Public Management

A concise, universally acceptable definition of 'PIs' does not exist but there are useful definitions related to the context of public management. Carley (1988, p.3) presents one such definition:

Attempts to appraise the performance of government agencies in service delivery in a quantified fashion is called performance measurement and is usually undertaken by what are known as performance indicators.

This definition clarifies the purpose of PIs but does not fully convey the diversity of forms of PIs in public management.

The 1986 report on 'PIs in Universities' (CVCP 1986) offered a straightforward definition:

PIs are statements, usually quantified, on resources employed and achievements secured in areas relevant to the particular objectives of the enterprise.

The report suggested that the term 'performance indicator' was carefully chosen, since:

The emphasis is on performance as distinct from intention and on indicators as signals or guides rather than absolute measures.

The term 'usually quantified' is used as most indicators are quantified yet much activity within an educational institution does not lend itself to quantification.

The Polytechnics and Colleges Funding Council (1990. para. 1.4) issued a definition as follows:

Performance indicators are statistics, ratios, costs and other forms of information concerned with the activities of a college or polytechnic.

The focus of this thesis is on Scottish further education and the definition of performance indicator from the Scottish Office Education Department publication *Measuring Up* (1990, p.3) is:

a statement, often quantified, about resources deployed and/or services provided in areas relevant to the particular objectives of the college.

3. Performance Review and Performance Assessment

The aim of review is to facilitate a greater understanding of performance, both in action and in impact. Performance assessment should be the basis of performance review. Performance assessment extends beyond the organisation because performance, in the public domain, has to be judged by the organisation's stakeholders.

Performance assessment is normally seen as applying performance measures. Performance measures permit comparisons within organisations and between organisations at a point in time and over time (Ranson and Stewart 1994, pp.221-223).

Collectively the definitions point toward PIs as information on aspects of organisational activity. Cave et al. (1990, p.24) offer 'a broad definition' which brings together a number of these themes:

an authoritative measure - usually in a quantitative form - of an attribute of the activity of a higher education institution. The measure may be ordinal or cardinal, absolute or comparative. It thus includes both mechanical applications of formulae (where the latter are imbued with value or interpretative judgements) and such informational and subjective procedures as peer evaluations or reputational rankings.

4. Performance Indicators Systems

When an organisation deliberately and regularly draws together information about a number of aspects of its performance, concerning parts of the organisation as well as the whole, this is known as a performance indicator system. Carter et al. (1991, p.93) advocate a performance indicator system based on the needs of the organisation and identify elements of best practice. PIs should be:

relevant to organisational needs, reliable and unambiguous, comprehensible and usable, parsimonious (providing a realistic number of indicators which managers and other users can understand and use for monitoring), timely and 'custom-built' .

According to Mayston (1985, p.94) a comprehensible and usable performance indicator system needs: "Specific objectives and a clear vision of how it will be used".

5. My Own Definition

Initially, my own working definition of the term 'PIs' is as follows: Information for organisational and comparative use, mainly in a quantified form, on aspects of organisational input, activity, output and outcome; that focuses on the actual past, the present and the projected future of the organisation as an aid to assessing the extent to which the organisation is pursuing and attaining its mission and objectives in an effective and efficient manner.

6. Classifying Performance Indicators

Having considered definitions of the term 'performance indicator', it is now appropriate to examine various ways in which PIs can be classified or categorised. This part of the chapter will consider various types of PIs, each emphasising a particular focus for the exploration and assessment of organisational activity, though several have overlapping areas of interest. Wherever possible, examples will be used from a further education college environment.

6.1 System Models

Organisations are described in the 'systems' model as having structure, inputs, process, outputs and outcomes. Organisations can be viewed as open systems which take inputs from the environment (outputs from other systems) and through a series of activities transform or convert these inputs into outputs (inputs to other systems) to achieve some objective. Further education colleges take in resources such as people, finance, raw materials and information from their environment, transform or convert these and return them to the environment in various forms of output such as qualified Student's, in order to promote the pursuit and attainment of the college mission and goals. The outputs of a college system will have an effect (or outcome) in a multiplicity of ways in other systems.

Typologies of PIs using this approach focus on each element in the system. This information is generated in the form of PIs that relate to:

- inputs, e.g. funding per student;
- the conversion process, e.g. available teaching hours per week;
- output, e.g. qualified Student's; and
- outcomes, e.g. salaries of qualified Student's.

The outcomes of a public service are not only the impacts that the service has on those who receive the service (customers or clients) but also the impacts on society as a whole.

Flynn (1986, pp.393-394) identifies types of PIs that focus on relationships between particular elements within the system such as:

Efficiency (I) indicators - which are ratios of inputs to intermediate outputs, e.g. unit cost of providing college places;

Efficiency (II) indicators - which are ratios of inputs to outputs, e.g. the unit of cost per successful student (completion);

Capacity utilisation indicators - which are ratios of intermediate outputs to outputs.

They are relatively easy to measure, e.g. percentage uptake of places on a course.

Effectiveness indicators - which represent the relationship between outputs and outcomes and are much more difficult to measure as they require the consideration of the long-term nature of effectiveness and the problem of isolating the impact of a service on the public.

Effectiveness or outcome indicators are the least quantifiable type of performance indicator. Public sector organisations attempt to compensate for these omissions by including a mixture of throughput and intermediate output measures. The NHS for example "measures a host of activities and processes such as patients treated, length of stay and patient turnover". (McKevitt and Lawton 1994 pp. 210-211)

The systems model is useful for the design and implementation of a performance indicator system as it allows for the consideration of a range of aspects of college activity, including the end result. Thus there is an opportunity to assess college performance in relation to stated objectives. The systems view is broad and requires a comprehensive suite of indicators. It is easier to develop indicators of input, conversion process and output, than outcome.

6.2 Pls as Controls

Pls can be used as part of a managerial control system as a means of checking progress to determine whether the objectives of the organisation are being achieved. The purpose of management control is the improvement of organisational performance.

Fayol (1949, p.107) described control as follows:

In an undertaking, control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established.

Pls may be used to aid control in an organisation. The use will vary according to the element in the management control system being addressed. There are five essential elements in a management control system:

- Planning what is desired;
 - Establishing standards of performance;
 - Monitoring actual performance;
 - Comparing actual achievement against the planned target; and
 - Taking corrective action.
- (Gunn 1994)

Planning involves clarification of the aims to be achieved and these would typically be set out in the College Development Plan. Planning provides the framework against which the process of control takes place. Related to planning is the establishment of defined standards of performance against which the level of success can be determined. This requires, among other things, realistic target Pls of college activity. The third aspect of control is the need for a means of monitoring actual performance. This requires feedback and a management information system that is accurate, relevant and timely, and in a form that enables management to highlight deviations from the planned standard of performance. Managers must then compare actual performance against planned targets. This requires a means of

interpreting and evaluating information in order to give details of progress, reveal deviations, and identify probable causes. This information must be fed back to decision-takers. The final element of a management control system is the taking of corrective action to rectify the situation that has led to the gap between desired and actual performance. This requires consideration of what can be done to improve performance. It requires managers to take appropriate action to correct the situation, to review the operation of the control system and to make any necessary adjustments to objectives and targets or to the standards of performance desired (Mullins 1989, pp. 461-462).

PIs can be used to establish desired standards of performance and can thus be a pre-control mechanism. PIs can be used as concurrent controls where they monitor actual performance and compare it to desired performance to identify and correct deviations. PIs can also be used as post-control mechanisms, i.e. for review and reporting. At this stage it is too late to correct deviations and the information is used more for accountability than for control but such 'historical' data can also be an input to future decision making, e.g. the distribution of financial resources to sub-sections of a college.

Performance indicator systems tend to focus on the post-control phase with insufficient attention to the possibility of using the PIs for pre-control and concurrent control purposes, although there is clearly scope for formulating target indicators and this approach is being used in some colleges.

6.3 PIs as Value For Money (VFM)

The value of money (VFM) approach, defined by the Treasury as 'the optimal combination of economy, efficiency and effectiveness', seeks to establish organisational performance levels by considering the dimensions of organisational activity under the headings of:

- Economy;
- Efficiency; and
- Effectiveness.

Cost-effectiveness is therefore the achievement of goals or other intended effects at a reasonable cost, which normally means within the constraints of the available levels of resourcing.

As we shall see, economy and efficiency have tended to take priority over effectiveness largely due to the difficulties associated with defining and measuring effectiveness.

In the Scottish Office Education Department publication *Measuring Up*' (1990, p.1) there is clear reference to the links between VFM and PIs:

These three goals of enhancing quality, increasing accountability and improving value for money, require the development of a set of valid, reliable and comprehensive PIs as a tool to inform managers and to improve decision making.

VFM uses the three Es despite conflicts between them and within them. The most efficiently delivered service may not be effective if its 'output' fails to meet objectives or produce intended outcomes. VFM is arguably efficiency-led rather than customer- driven. It is concerned with supply not demand or user satisfaction. (Wilson and Hinton 1993 p. 65)

6.4 Consumerism and the Citizen's Charter Indicators

The Local Government (Scotland) Act 1992 requires the Scottish Accounts Commission to direct local authorities to publish certain information on their standards of performance. Each authority must publish its own statutory performance information in a local newspaper. The Accounts Commission has also encouraged authorities to make the information available in their annual reports and accounts.

In order to meet the need of members of the public who wish to see information produced by several local authorities, the Accounts Commission produced a national summary of the performance information produced by all Scottish local authorities in the Spring of 1995 (Accounts Commission, 1995) The Commission's national publication aims to achieve three objectives:

1. To help Citizen's form a view, where appropriate, as to how well their own authority has performed compared with other authorities;
2. To help to stimulate interest in, and debate on, the performance of local government;
3. To identify those areas where improvement in performance may be possible.

However, it has acknowledged that further study will be required in order to quantify the precise nature and scope for improvement.

Audit Scotland (formerly The Accounts Commission) sees this publication as part of a wider evolutionary process aimed at improving local authority performance. Audit Scotland does not believe that the development of PIs has yet reached a stage

where it is appropriate for it to pronounce across a wide range of local authority activity on what would be considered precise benchmarks of good or poor performance. In other words, the setting of national threshold standards for local government performance is not yet feasible but:

It does, however, believe that the process now embarked upon will enable considerable steps to be taken in the medium term towards that goal (The Accounts Commission, 1994).

The quotation clearly states that a goal of the Audit Scotland is to produce national threshold standards for the performance of Scottish local authorities that specify the standards of service that can be expected from each local authority.

The PIs prescribed by the Accounts Commission fall into four main categories:

Category 1: National Standard

These are indicators that relate to a national standard (e.g. housing benefit applications should be processed within 14 days). Where a national standard exists, it is the Accounts Commission's view that an authority's performance can be judged against that benchmark. Authorities could also be ranked according to their performance.

Category 2: Comparable Information

These are indicators for which there is no national standard but the information that is being supplied has been collected on a basis that is similar across all authorities (e.g. the time taken to re-let a council house). The information supplied is on a comparable basis across authorities, therefore, in the Accounts Commission's view, it is generally valid to compare the performance of authorities in a ranked order. It

will be necessary to identify factors that may have impacted upon the performance achieved in some cases. The information obtained may suggest that like is not being compared with like and further analysis may be necessary.

Category 3: Local Standard

These relate to activities where a standard has been determined, but this is a local standard and each authority is free to set its own target (e.g. the time required to repair a street light). Caution must be exercised in making comparisons using such indicators. The Accounts Commission proposes to summarise the differing standards and achievements and to offer an informed commentary on the emerging national picture. Comparisons will relate to the extent to which each authority has met its own targets.

Category 4: Other Prescribed Information

These concern other items of prescribed information (e.g. amount spent on community care for the elderly). This category contains a small number of indicators that do not fall within any of the other categories. They are not generally suitable for direct comparisons of performance (The Accounts Commission 1993).

7. Performance Indicators and Accountability

Public accountability requires many means of accounting. In recent years, lines of accountability in the public domain have become less clearly defined as new forms of organisation develop such as 'Next Steps' agencies and 'incorporated' colleges.

PIs as part of performance review have a part to play in accountability provided that there is recognition of the nature of accountability in the public domain and a consideration of the types of accountability required. Several types of accountability can be identified:

Political Accountability

Accountability to Consumers

Managerial Accountability

Financial Accountability

Professional Accountability

Market Accountability

8. Quality and Other Types of Indicator

There are other types of performance indicator commonly found in public management and this section explains some of them. A notable development in the 1990s has been the concern for quality and its assessment, in part through the use of PIs.

8.1 Quality

PIs for the purpose of monitoring quality standards are a comparatively recent innovation in public management. Quality is defined by the British Standards Institution as: 'The totality of features or characteristics of a product or service that bear on its ability to satisfy a given need' (BS 4778).

There is concern that PIs have tended to focus on quantifiable aspects of organisational performance to the exclusion of qualitative information on the clients' perceptions of the service provided.

BS 5750 and ISO 9000 are general-purpose standards to which a quality management system must conform, and against which it must be successfully assessed, if a system registration mark is sought. PIs are useful in monitoring the extent to which there is compliance with quality procedures. PIs may be less applicable to a total quality management (TQM) approach that describes the process and management of change, and is designed to realign the mission, culture and working practices in pursuit of continued improved quality (HEQC 1994, pp 64-65).

8.2 Tin Openers or Dials

This type considers PIs as having two distinct modes, namely 'Tin-Openers' or 'Dials'. 'Tin-Openers' relate to situations of complexity, ambiguity, interdependence, etc. In these circumstances, PIs behave as pointers and signals to further investigation. The 'Tin-Opener' approach implies opening a can of worms and performance is a value-laden, contestable concept negotiated between different levels of management. It suggests that performance is a complex subject whose definition is an iterative process. The 'Dial' approach relates to situations of clear attribution of performance with little inherent ambiguity or complexity. Precise measures of outputs and outcomes are possible and specific targets can be set for organisational activity and subsequent performance monitored against the standards set in the targets. By adopting such indicators there is an implication of a top-down style of management. Given the inherent complexity of public services, PIs

frequently act as 'Tin-Openers' initiating a more detailed examination of trends and causes and effect analysis (Carter, 1991, pp. 85-102).

8.3 Equity

Pollitt (1990, p.168) criticises most indicators in most systems as being proxies for economy and efficiency. Effectiveness is seldom part of the system. Moreover, Pollitt argues for a fourth 'E', that of equity and goes on to say that, in his view, equity, user responsiveness and quality are all under-represented in systems of PIs. Pollitt and Harrison (1992, p.13) define equity as: 'the extent to which equal needs are equally met'. In the public arena many writers assert the value of equity in meeting needs that cannot be expressed in the market. If equity is sought in the public arena then it must influence the nature of management and, therefore, aspects of performance measurement. If the value of equity is sought, distinctive PIs must be developed which address the equal satisfaction of equal needs. This must involve a consideration of how needs are identified and met and whether, in meeting needs, the public organisation acts in an equitable manner without providing a preferential service to certain groups or areas.

8.4 Descriptive, Proscriptive and Prescriptive

Jackson and Terry (1988) make a distinction between descriptive, proscriptive and prescriptive PIs. Descriptive indicators include the mass of data that most departments already possess such as student numbers, grants and fee income. Proscriptive indicators are negative indicators, setting up alarm signals about unsatisfactory features of service provision. This can be illustrated by situations such as low levels of student retention in particular courses. Provided that the level

does not fall below a specified minimum retention rate, no action is necessary but if the specified minimum retention rate is reached then corrective action must be taken. This is similar to 'management by exception'. Prescriptive indicators emphasise normative criteria and direct relevance to the objectives of services, programmes or departments. They may, therefore, be targets for organisational activity: e.g. target student success rates could be prescriptive PIs (Jackson and Terry 1988, pp. 11-16). This typology does not always stand up to examination, as information on, say; student retention rates on individual courses could be descriptive, proscriptive or prescriptive depending on when and how the performance indicator is used.

8.5 Partial Performance Indicators

Sorenson and Grove (1977) identified the objectives and properties of various service PIs as follows:

- | | |
|-----------------------------|--------------------------------|
| • availability | -what can be obtained; |
| • awareness | -client knowledge of services; |
| • accessibility | -access; |
| • extensiveness | -range of services; |
| • appropriateness | -quantity and quality; |
| • efficiency | -inputs and outputs; |
| • effectiveness | -accomplishment and objectives |
| • outcomes/benefits/impacts | -effects; |
| • acceptability | -client satisfaction. |

These indicators represent a comprehensive view of the nature of public service provision. (Sorenson and Grove, 1977, pp. 658-675)

Sizer (1979, pp.49-77) developed, from the above, partial PIs for institutions of higher education. Many of these partial PIs are traditional process measures of institutional performance rather than outcome measures that substantiate progress

towards achieving objectives. Sizer uses the terms process, progress and outcome PIs to refer to differences between:

- a) the way things are done (process);
- b) the stage the organisation has reached in moving towards objective attainment (progress); and
- c) the results of organisational activity (outcome).

Professor Sizer, as Chief Executive of the Scottish Higher Education Funding Council (SHEFC) has incorporated PIs into the SHEFC Quality Framework as mechanisms for informing institutional assessment of achievement in relation to educational aims and objectives (SHEFC 1993).

8.6 Procedural and Substantive

Gunn (1994) noted that relatively few PIs seem concerned with the substance of the service being provided, in terms of either quantity or quality. Many PIs focus on the extent to which procedures are being followed and organisational activity is being carried out within agreed time scales such as indicators that relate to dates for issuing student enrolment forms and deadlines for their processing. Such indicators do not address the quality of the processing or the potential Student's experience of the enrolment process (Gunn, 1994).

8.7 Simple Indicators, Performance Indicators and General Indicators.

Cuenin (1986) draws a distinction between simple indicators, performance indicators and general indicators. Simple indicators are usually expressed in the form of absolute figures and are intended to provide a relatively unbiased description of a

situation or process. Performance indicators imply a point of reference, for example a standard, an objective. Although a simple indicator is the more neutral of the two, it may become a performance indicator if a value judgement is involved. In order to avoid possible ambiguity, Cuenin proposes the general rule that performance indicators should have the following property:

when the indicator shows a difference in one direction this means that the situation is better, whereas if it shows a difference in the opposite direction, then it means that the situation is less favourable. The way in which the data are to be interpreted ought to be obvious (Cuenin, 1986).

9. The Ideal Indicator

PIs, as we have seen, fulfil many roles and serve several purposes but, regardless of the roles and purposes, a good performance indicator should display certain characteristics. An ideal performance indicator would display all characteristics.

The users of PIs, whether internal or external to the organisation, will be concerned that the selected indicators display as many as possible of the following characteristics. Criticisms of PIs commonly relate to the opposites of these 'ideal' characteristics.

The characteristics of an ideal indicator are many and varied and the perception of the extent to which the indicator displays 'ideal' characteristics often depends on the individual generating or using the indicator. These differences in perceptions are the product of a multiplicity of individual organisational and environmental influences.

From this analysis I have attempted to derive an 'ideal' indicator. Such an indicator would display the following characteristics:

The indicator is comprehensible/understandable to its users, it informs users in a timely manner and is one of a set. The indicator measures deviation (the direction of the change from the planned position which has taken place) and the pace of that change. The performance indicator is acceptable to its users, sensitive to significant changes and makes use of data that are easily accessible. The data generated are usable, reliable, valid and economic to use. The performance indicator is unambiguous, accurate and fully meets its users' specification, providing a positive experience to those who use it. The performance indicator is free of bias and value-judgement and is capable of aggregation and disaggregation. The performance indicator is cost-effective to use, serves an organisational purpose and remains relevant to its users. The performance indicator is forward-looking, relatively permanent, and transparent. It is the product of co-operative efforts thus promoting a sense of ownership. The data generated by the performance indicator are quantitative and qualitative and facilitate comparisons internal and external to the organisation.

The weaknesses of many indicators are that they fail to meet a considerable number of the 'ideal' characteristics.

Commentary on the Literature Survey

This section has examined the many different types of performance indicators commonly found in public management. Clarification is essential prior to considering the academic literature on performance indicators. Different types of performance indicators have also been identified and there is clearly a range of potential uses and a range of potential users of performance indicators in public management. The

concept of the 'ideal indicator' is used to identify desirable characteristics and to explore the extent to which these characteristics are found in practice.

This research, in part, considers the perceptions of different stakeholders of performance indicators in Scottish further education.

The literature on performance indicators over a 20-year period illustrates changing perceptions of their role and uses in public management. Using the framework of performance governance, performance management and consumerism, comments are made on the changing focus of theory and practice over this period. Conclusions are derived from this analysis to inform this study of performance indicators and the management of further education in Scotland.

Performance Indicators as Performance Governance

According to Pollitt (1986, pp. 155-170), UK commentators were concerned that there was too much emphasis on the 'triumvirate of virtue: economy, effectiveness and efficiency'...Economy, on its own, is a very limited concept for providing guidance to managers. Gray and Jenkins et al. (1985) suspected that there was a drive to minimise inputs almost regardless of outputs. In relation to efficiency, Mayston (1985) correctly identifies the distinction between efficiency and productivity in that a merely efficient organisation may not be more productive. Effectiveness is a measure of the achievement of targets or objectives (Flynn, 1986, pp. 384-404). Pollitt (1986, pp 155-170) suggests that the subordination of outcomes to outputs (and the broader emphasis on economy and efficiency rather than effectiveness) may reflect the political objectives of a government that is primarily concerned with

reducing public expenditure rather than performance evaluation. Gunn (1991) refers to performance indicators as 'market-place' surrogates, communicating information to the general public on the performance of public sector organisations. Pollitt called for a greater concern in performance indicator systems with the additional Es of equality and efficacy. Carter, Klein and Day (1991), found these criticisms of the domination of PI systems by the efficiency concerns of politicians and providers as unhelpful and suggested that the debate should move on to incorporate the diverse concerns of citizens and consumers. Midwinter (1994, p.40) recognises that in order to improve assessment systems you would have to derive indicators that demonstrated how economical and efficient the organisation was in achieving effectiveness. Any such indicators, however, are representative only within the initial confines of a budget that is dictated by political choice and policy. They do not represent economy and efficiency as dictated by an unconstrained environment. Caution must always be exercised in the use of performance indicator information by funders and other stakeholders. Interpretations of economy and efficiency are more credible in terms of internal comparisons over time and in relation to general trends, demographic changes, demand for services and value for money. Sizer et al. (1992), in a five-country study of the development of performance indicators at the government-higher education interface, concluded that the identification of clearer institutional objectives was needed for evaluation, but governments should accept that complete goal congruence amongst similar service providers is not achievable.

Performance Indicators as Performance Management

In the 1980s, academic writings contained substantial descriptive elements identifying the many ways in which performance indicators were used in public

management. Much of the writing such as that of Pollitt (1986, 1990), was critical of the over-emphasis on performance governance whereby performance indicators were seen as tools of government designed to promote the government's economic objectives and exert greater control over the public sector. Concerns were expressed about the interpretations of the performance indicators data especially the data on schools and hospital performance. Flynn (1993, pp.115-125), commented that managers should only be expected to perform well by affecting the variables over which they can have some influence. It was not possible to compare 'like with like' as particular organisations had to operate in unique locales with different resources and different clients. Writers in the late 1980s and early 1990s began to add prescriptive comments aimed at improving the utility to enhance the contribution of performance indicators to public managers as tools of performance management. Kanter and Summers (1987, pp. 98-110), identified the dilemmas of non-profit performance measurement as clients generally have limited influence over the service provider, the multiplicity of goals pursued, the concern for resources utilised (inputs), internal politics and goal displacement, and the inflexibility of professionals. Carter, Klein and Day (1992, p. 183), argue that PIs needed to be taken away from a limited number of experts and integrated more into the democratic process at all levels. Commentators identified weaknesses in existing performance assessment systems in that indicators tended to be used as 'dials' instead of using them as 'tin openers' (Carter, 1991). There were deficiencies in the design, implementation and utilisation of information from the existing PI systems. Collectively, the academic writers were concerned that performance indicators had become tools of government and senior managers in that they were 'top-down',

prescriptive, value laden, input and process focused, and predominantly economy and efficiency-led.

Pollitt (1990), is critical of the managerialist perspective that adopted the position that better management is the key to maximising the effectiveness and efficiency of government delivered services and this was a product of a concern within government for improving economic management coupled with a loss of confidence in professionals in the public sector. Stewart and Walsh (1994), comment on the difficulty of defining performance in the public sector and because it can never be finally defined it can never be adequately measured. Similar criticisms were made by an array of academic writers, including Carter (1992), Flynn (1993), Jackson (1988) and Cave, Hanney and Kogan(1991). This trend in the literature is linked to a Tayloristic perception of management where managers are themselves efficiency led and are largely concerned with ensuring compliance with government policy directives. In order to promote these priorities they rely on comprehensive control systems including controls over their own staff. This is a top-down perspective on the role of managers. It is a task-centred perspective that takes no account of the human element in management.

Caiden (1997), identifies the managerialist trend in performance assessment whereby agencies produce a strategic plan with goals and outcomes, this is supported by performance plans which develop performance measures to monitor progress and these measures are based on data reports. Kanter and Summers(1987), nevertheless urge non-profit managers to try to set objectives and assess results to determine if they are indeed 'doing well while doing good'. There

is no doubt that introducing strategic management processes to public sector organisations is problematic but the demand and need for performance assessment and measurement is unlikely to decline in the future. Factors contributing to this demand include the drive for 'Best Value' and the reporting requirements of funding agencies. In response to the changing context of public management, many organisations are looking at the ways in which managerial staff are developed and there is a trend towards generic management development which in turn must impact on the practice of public management. Carter et al (1991), describe a common evolutionary organisational learning cycle beginning with 'perfunctory compliance' through reactive and critical resistance, to a broader appreciation of the potential value of PIs as weapons in the battle for resources.

Much of the writing on performance indicators as performance management has emerged from government agencies such as the Audit Scotland (Planning for Success, 1998), The Scottish Office (Measuring Up, 1990) and the Audit Commission (Performance Review in Local Government, 1988), each advocating particular approaches to the management of performance indicators systems. In 'Planning for Success', Audit Scotland creates a five point framework comprising: setting the direction; strategic analysis; making it happen; checking progress; and doing better. They also advocate the use of Kaplan and Norton's (1996, pp. 75-85), 'Balanced Scorecard' approach which links organisational vision with communication, business planning, feedback and learning. It may well be that more systematic systems of performance assessment link to strategic management and underpinned by competent decision-takers will deliver enhanced organisational effectiveness.

Although the strongest stakeholders (Government, funders and audit organisations) tended to shape the roles and content of PI systems in the 1980s and early 1990s, this trend is changing as managers exert more influence on how their organisation and their individual performance is to be assessed.

Performance Indicators as Consumerism

Performance indicators as consumerism emerged in the late 1980s when writers such as Pollitt (1986, pp. 155-170), advocated the broadening of performance assessment to incorporate client perceptions. This continues to be a concern of academic writers who have gone beyond client perception to stakeholder and citizen perceptions of public service delivery. There was a need to change their emphasis to involve public managers, clients and other stakeholders in performance assessment systems that focus on output and outcome, effectiveness, client perceptions and quality. This transition from performance governance and performance management to consumerism is reflected in academic writings of the latter part of the 1980s and into the 1990s. The literature tends to advocate a different approach to performance assessment and performance indicators with concerns for economy, efficiency, process and output being substantially replaced by advocacy for effectiveness, outcome, consumerism equality and quality. In addition to academic literature, government agencies were also advocating a change but their change tended to see the revised performance assessment system as retaining the performance governance focus and adding further elements of performance management with a concern for change management and human resources management; consumerism, quality and responsiveness.

Winkler (1987), questions the extent to which quality and responsiveness are moving beyond the 'supermarket model'. Gaster (1993) critically evaluates the transferability of private sector quality management and marketing models to the public sector.

Much of the contemporary literature addresses the issue of improving the performance assessment systems through the use of participative approaches by managers both internally and externally. Ownership, quality and responsiveness are common themes in the literature. Implementation studies focus on improving systems of performance assessment largely through the development of more people centred systems that encourage participation and ownership. The environment of performance assessment has not radically changed since the mid-1980s and, despite a change in government, there remains a concern for accountability and value for money and thus an interest in performance assessment as performance governance. Tichelar (1998) identifies that many performance assessment systems still contain a substantial number of indicators that public sector organisations must utilise and consequently report. The audiences for such reports include: government; funding agencies; auditing agencies; client group; stakeholders; and the general public. However, there is a discernible trend towards supplementing the required prescribed indicators by indicators, which are much more focused on performance management and consumerism (Hartry, Gerhart and Marshall (1994) and Meekings (1995). Tichelar (1998), and Ball (1998) note that Best Value Regimes (BVR) will require much more comprehensive reporting of performance to all stakeholders.

There remains a need to continue to add to the literature on performance indicators by drawing on empirical, longitudinal studies of the implementation of performance indicators systems. Such studies should seek the view of government and funders, management, employees, clients and stakeholders to gain a comprehensive insight into stakeholder perceptions. By the early 1990s studies of this type were emerging in the literature and their focus systems implementation incorporating prescriptive components clearly added to the body of knowledge in this area. Selections of key studies are comprehensively reviewed in the next section of this chapter.

Section D: Literature Survey and Review on the Implementation of Performance Indicators Systems

Introduction

In this section there is a focused consideration of the body of literature that deals specifically with studies of the implementation of performance indicators systems. The literature is subdivided into studies of central government, local government the health sector and other studies excluding further and higher education studies that are addressed in the final section of this chapter.

1. Local Government Studies

1.1 The Accounts Commission

Since 1993/94, councils in Scotland have been required by law to provide information on how well they are carrying out their activities. Councils have to publish the information in local newspapers by 30 September each year. These performance indicators are designed, according to the Accounts Commission (1998), to assist members of the public to gain an understanding of the cost,

economy, efficiency or effectiveness with which council services are delivered. In 1992 the Accounts Commission published information on good practice in performance management and advocated a strategic management approach linking strategic objectives to key objectives and indicators at sub-organisational levels. This approach links performance assessment to policy and decision-making at the level of the individual local authority and as such is facilitating a performance management approach. The indicators identified tend to be quantitative rather than qualitative.

In 1997, the Accounts Commission introduced an approach to the audit of management arrangements in Scottish councils based on self-assessment, action planning and continuous improvement. The Audit Scotland require performance monitoring systems to be in place at different levels throughout a local authority. The Accounts Commission (1998) concluded that councils generally monitor and report progress in the implementation of corporate goals to committee and/or the management team. Less frequently is this part of an all-encompassing council-wide approach to reporting a broad range of performance information for the purpose of monitoring and review. Most councils recognised the need for further development of their performance measurement systems. Most departments have some performance monitoring systems in place but the majority recognise that these need considerable improvement as they tend to focus on operational rather than strategic performance. Departments are frequently trying to build on the statutory performance indicators with more locally relevant information. Departments are paying very little attention to overall performance measurement. This, according to the Accounts Commission, raises major concerns about a council's ability to assess

its own performance and to ensure it is delivering value for money across all its services. IS/IT systems are being developed and further work is being progressed on identifying, refining and publishing standards of service.

The Accounts Commission concluded from the study that management systems and information are being developed as the emphasis on performance monitoring, reporting and review increases.

1.2 The Audit Commission

Through out the 1980s, the Audit Commission produced a series of publications under the title 'Performance Review in Local Government - a handbook for auditors and local authorities'. These publications were updated periodically in the light of experience of the process. The Audit Commission (1989) suggests that there are three main pre-conditions of effective performance review: an accountable management structure; a clear commitment to quality; and leadership from the top. Ball (1998, pp. 72-73), concludes that the prescriptive process advocated by the Audit Commission is postulated as best practice but without any substantiation of this claim. Nor had the prescribed process been tested in the political environment of local government. The policy dimension of local government and the strategic management dimension of performance management are not addressed by this publication.

The Audit Commission (1999), following consultation with local authorities in England and Wales, developed guidelines on the changing, fundamental, role of performance indicators under in order to promote the four Cs of best value:

Compare, Consult, Challenge and Compete. There is a need for performance indicators to establish a small set of common 'general health' indicators; a set of common 'priority' service indicators; a further set of performance indicators for comparative use at a national level; and local indicators set by councils to focus on local priorities and targets. Performance indicators are a key element in Best Value Regimes (BVR). The Accounts Commission outlined a number of areas for performance indicators development including: public satisfaction with services and indicators of the quality of life in communities.

1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA)

A Scottish CIPFA group in 1998 criticised the statutory indicators for being a crude attempt to make authorities accountable for their performance in delivering services but recognised the need for accountability. The CIPFA group advocates a three-tier approach. Headline indicators, which include the Accounts Commission's statutory indicators, would draw the 'big picture' – giving broad guidance on the general performance of a council and including an explanatory note of exactly what is and what is not being measured. Next would come the local indicators, taking into account local priorities and all the circumstances that councils have always complained are ignored by statutory yardsticks. Finally there would be best-practice indicators dealing with issues of quality – something the statutory indicators have never done. The desired approach would be where individual councils opted into such a system without the need for a statutory requirement to do so.

2. Academic Studies

Jenkins et al. (1988), found that in preparation for the revised 1989 indicator set, there was a large-scale survey of the use of PIs in district health authorities. The technical barriers to the implementation of performance assessment systems had been largely overcome but behavioural problems remain. Only about a third of users said that the PI system influenced their decision-making and they tended to make use of them re-actively. Few users were able to consider the inter-relationships between several PIs, although it is rarely possible to use single indicators in a meaningful way, this suggests a training need. Jenkins and her colleagues concluded that the presence of an enthusiast of high status was an important factor in encouraging the active use of the available data by a range of people in their management activities.

In a comparative study of 14 organisations Carter et al. (1991), found that the problems of performance assessment, and methods for the design of PI systems, crossed the public/private divide. External environmental influences play a part in the establishment of PIs but criticism of their domination by efficiency concerns rather than the diverse concerns of citizens and consumers may be unhelpfully simplistic. Carter et al. (ibid.) incorporate prescriptive elements in their writing and propose that PIs should be relevant to organisational needs, reliable and unambiguous. They should also be comprehensible and usable, parsimonious, timely and custom-built. The writers conclude that many users of performance assessment systems have been working to develop measures of effectiveness and are actively building in quality and customer satisfaction measures. While some organisations were moving towards prescription in the form of 'dial'-type indicators

that could be incorporated into strategic and operational plans, others retained a descriptive 'tin opener' approach.

Jackson and Palmer (1992), proposed that performance measures be matched to policy objectives, targets and activities for which specific managers have been allocated clear responsibility. They advocate the development of performance assessment systems that focus on performance as part of a strategic management process (performance management). They do recognise the need for a contingency approach that takes into account local circumstances and adapts the performance assessment system accordingly. Performance indicators, in this prescriptive approach, should be related to intermediate and final outcomes and with economy, efficiency and effectiveness and there should be a link to performance related pay (PRP).

Linkierman (1993) conducted a comprehensive study of performance indicators implementation over a three-year period. The study produced 20 lessons from the managerial use of performance indicators derived from discussions and written feedback from 500 middle- and senior grade public service managers. The report of the study incorporates a prescriptive, participative process of internal development of flexible performance measures that are subject to constant review and revision. The 20 lessons can be sub-divided into four main headings: concern for the concept of performance indicators (4 lessons); preparation (6 lessons); implementation (5 lessons); and use (5 lessons). The focus of the Linkierman study is on managerial use and consequently, public accountability, equity and resource allocation are not considered.

Midwinter (1994, pp. 37-41), discusses the Scottish context of the developing interest in performance indicators. Midwinter is in no doubt that the impetus for performance indicators came from the performance governance focus of the Conservative governments in the 1980s. In Scotland, in the early 1990s a joint COSLA/Accounts Commission Liaison Group found that most local authorities had not at that time developed indicators.

Meekings (1995, pp. 5-12), supports the Audit Commission's model as a vehicle for using performance measurement to improve overall service delivery in public service organisations. Although most managers are convinced in theory of the benefits of performance measurement the reality is often disappointing, with partial coverage and poor implementation. He believes in the potential of the process and the key to success lies in focusing on implementation processes, in particular anticipating and overcoming resistance and fear.

Smith (1996) notes that indicators are representations of the reality of performance that are often long term and diffuse in their effects. As a consequence performance indicators systems may reflect the interest of a selection of organisational stakeholders but may serve a useful purpose in informing political debate. Smith (1995a), identifies the dominant philosophy informing the use of performance indicators as the notion of managerial cybernetics. Eight unintended consequences of performance measurement are identified which focus on difficulties of the internal management of public sector organisations (performance management). These difficulties are: tunnel vision; sub-optimisation; myopia; measure fixation;

misrepresentation; misinterpretation; gaming; and ossification. Smith doubts the likelihood of a consensus emerging on how public sector performance can be measured and concludes that the proper role of indicators is to inform political debate.

Ball and Monaghan (1996) conducted a survey of British local authorities on performance review and argue that many authorities have gone beyond the requirements of the Audit Scotland and the Audit Commission. They also note that the major implementation difficulties associated with performance review systems relate to behavioural problems relating to resistance from those responsible for reporting the performance information. Organisations should be sensitive to the human resources impacts of performance indicators. Ball (1998), from his survey and case studies, concludes that local authorities have tended to develop their own performance assessment systems to meet their own requirements. There is evidence of incremental changes over a period of time and the borrowing of ideas developed from good practice in particular authorities. The active support of the Chief Executive, chief officers and elected members is essential if the performance review system is to be successful. The main behavioural problems were lack of support from elected members and officers and problems with the organisational culture. The major technical difficulty has been the designing of appropriate performance indicators. Training and information management have been major resource issues. The practices identified by Ball may be under threat as Best Value and the Citizen's Charter prescribe performance information requirements and this may reverse the trend of bespoke performance assessment systems and promote

approaches that restore the performance governance thrust and the concern for consumerism, responsiveness and quality.

McKevitt and Lawton (1996, pp.49-54), looked at the human element in performance measurement and found that there exists quite widespread disillusion with performance measurement systems at middle management levels who may see them as under-emphasising the traditional public sector values of equity and care. Systems seem to be driven from the top by senior managers and politicians with their own agendas. McKevitt and Lawton conclude that performance measurement will fail unless they promote a participative approach designed to promote ownership at all levels.

Egan (1996, p.8) found good examples of local authorities using performance indicators constructively, incorporating published PIs into quality management systems, and seeing them as a position statement for subsequent improvement. The approach adopted by these authorities combined total quality management with the management of change.

Kravchuk and Schack (1996) develop a set of design principles, based on US experience, which incorporate good practice in managing change and a concern for clients and other stakeholders, these are as follows:

- Formulate a clear, coherent mission, strategy and objectives.
- Develop an explicit measurement strategy.
- Involve key users in the design and development phase.
- Rationalise operations as a prelude to measurement.
- Develop multiple sets of measures for multiple users, as necessary.
- Consider the clients, customers and stakeholders throughout the process
- Provide each user with sufficient detail for a clear picture of performance.
- Periodically review and revise the measurement system.

Take account of past, current and potential future complexities.
Avoid excessive aggregation of information.

Key decision takers should avoid using measures as a substitute for expert knowledge about, or direct management of programmes. Measure is better placed in a management by exception framework, where they are regarded as indicators that will serve to signal the need for further investigation. Such an approach promotes learning adaptation and improvement.

Alford (1997, pp.49-58), considers the Australian experience of performance monitoring in the public sector and conclude that there examples of effective performance monitoring systems and examples of where the system is less effective. They advocate a contingency approach where performance monitoring is contextualised for the particular circumstances faced by the public sector organisation. There are clearly difficulties in defining and measuring ends, and difficulties in relating means to ends. The effectiveness of performance monitoring is not solely a product of external environmental circumstances, there is a need for a managerial commitment to performance monitoring coupled with intelligent adaptation to organisational circumstances.

Talbot (1998, pp. 4-5), comments that an interesting side effect of the move towards the production of performance information has been the difficulty of defining the purpose of central government departments. This difficulty has become more acute as government departments apply for 'Investors in People' recognition. This IIP standard requires organisations to demonstrate the ways in which their employee development practices relate to their 'business aims'. Performance information could be used for a variety of purposes such as telling organisations what is really

important about what they do. Performance information can promote continuous improvement and enhance accountability. There is very little evidence that performance information is actually used at all, let alone effectively. Some purposes of performance measurement pull performance measurement systems in contrary directions and this can have dysfunctional consequences.

Hyndman and Anderson (1998, pp. 23-30), conclude that the focus on performance rather than on spending will lead to a more accountable public sector, and provide a stimulus for better management and performance improvement. Government Agencies have a responsibility to account to those outside its management, and beyond the directly responsible Minister.

Tichelar (1998, pp. 29-35) identified a number of developments in the use of performance indicators in local government. Local authorities are developing strategic management systems that incorporate performance review. Performance indicators are being developed by local authorities that reflect needs and priorities in their locality. Performance indicators are being introduced into community plans. Local government managers are increasingly concerned with qualitative assessment of service delivery and with service outcomes. Elected members are becoming more involved in performance management systems of which performance indicators are key components. The development of Best Value Regimes (BVR) is likely to stimulate local authorities further to define the key indicators which are relevant to their service and their authority. Statutory indicators are imposed on local authorities and have limited meaning to local government managers. Bespoke PI systems are developing as a product of interaction between local government

managers, employees at different levels, elected members and clients. Best Value has provided an added impetus for the development of bespoke performance indicators that contribute to the assessment of the extent to which value for money is being achieved. Best Value guidelines imply performance indicators as planning tools that address quality and effectiveness as well as economy and efficiency.

Johnsen (1999, pp.41-66), examined performance management practices in the UK, USA, Australia, the Netherlands, and Norway, and concludes that many academics and practitioners seem to unite in a recommendation of establishing close links between goals and PIs when implementing performance measurement systems. His research findings are congruent with the implementation advice in the performance measurement literature regarding emphasis on decision relevance in development of PIs, an incremental approach, bottom-up participation and management commitment. The main proposition is that separating PIs and organisation objectives may enhance implementation success and this is contrary to the advice given in management-by-objectives (MBO) literature and widespread governmental practice. Johnsen refers to this as de-coupling. The de-coupled implementation mode can provide management with buffers from the political processes of formulating organisational objectives and from resistance, allowing the organisation to measure performance, experiment with PIs, and then take satisfactory PIs into use over time to facilitate organisational learning and enhance efficiency, effectiveness and equity. Organisations that use the implementation mode of coupled PIs to organisational objectives, may end up with low decision-relevant and unreliable PIs, dissatisfaction, and little usage of the system. Johnsen call for the need for more empirical research both about the implementation of

performance assessment systems and their corresponding effects. This thesis carries this request forward.

Commentary

The themes emerging from the implementation studies are many and varied. These themes have changed over time to reflect the changing context of public management and developing experiences of performance indicators in action. These themes are considered in the concluding section of this chapter. Government agencies such as the Audit Scotland and the Audit Commission began, in the 1980s, with a clear focus on performance indicators as performance governance emphasising their accountability role. There was a concern for economy and efficiency with insufficient attention being paid to effectiveness and quality (Pollitt). However, these agencies are now recognising the need for performance indicators to become tools of managers (performance management) and tools of stakeholders (consumerism, quality and responsiveness) as well as tools of governance. To support these changes they are offering advice on the development of performance indicators systems to embrace the changing focus. There remains a concern for input, process and output but there is a need to further develop a concern for outcome. Academic studies of implementation in the 1980s focused on descriptive analysis followed by prescriptive conclusions and tended to emphasise the need to move away from efficiency led performance indicators as performance governance to a greater emphasis on equity and consumerism. Other studies look at implementation problems within public sector organisations and concluded that there are several dysfunctional consequences of implementing performance measurement systems. If organisations consider change management theory they are less likely

to encounter opposition from within the organisation. This requires a participative 'bottom-up' approach where the system develops from within the organisation but is supported from the top and organisational members feel a sense of ownership of performance measures. Criticisms also relate to the over-emphasis on performance indicators as post-controls in that they are used for reporting past performance. There is insufficient use of performance indicators for concurrent controls and for planning purposes (pre-control).

The themes that emerge from implementation studies reflect the problems identified in the public policy implementation literature in that problems can arise for a variety of reasons. Sometimes the problem is the performance indicators system, sometimes the problem is a result of the implementation strategy and difficulties in the management of change. Sometimes the problem is 'bad luck'.

The studies to date have not considered to any great extent stakeholder perceptions of performance indicators systems. There has also been insufficient analysis of the managerial implications of performance indicators systems. There is therefore a gap in existing knowledge relating to the implementation of performance indicators systems.

This study addresses these gaps in the literature by examining manager and stakeholder perceptions of performance indicators in Scottish further education.

Section E: Literature Survey and Review on Performance Indicators In Lifelong Learning

Introduction

This section of the literature survey and review focuses specifically on academic writing on the implementation of performance indicators systems in lifelong learning thus covering adult and continuing education, further education and higher education. Part 1 looks at adult education and continuing education, Part 2 examines further education and Part 3 higher education. Conclusions are derived from this review and are summarised in the Commentary section.

1. Adult and Continuing Education

In the mid-1980s the Audit Commission in Obtaining Better Value from Further Education (HMSO, 1985), evaluated the performance of further education generally against very little more than efficiency (FEU, 1990, p. 1). The Joint Study on Efficiency (JES) led to the publication of Managing Colleges Efficiently (HMSO, 1987), which made an initial attempt to progress measures of effectiveness to modify the Audit Commission approach. A number of agencies further modified the JES approach by introducing client perceptions and by exploring the purpose of quality measurement and its potential. Additional work was carried out by the Unit for the Development of Adult Continuing Education (UDACE) and their conclusions were that there was in the 1980s a concentration on economy and efficiency. There should be more use made of performance indicators for development purposes rather than as a measuring stick (FEU, 1990, p. 2). Performance measurement is extremely difficult in adult learning and any assessment of effectiveness involves a comparison between performance and a previously set target. Unless the standards

are agreed between all stakeholders then the value system against which performance is measured will be biased. Performance indicators, according too UDACE, will increasingly be a driving force for change, and, since they are the basis for allocating resources, their impact is inevitably political as well as administrative. The education and training of adults should be measured in terms of personal development, learner autonomy and equity.

Dekker and Whitfield (1989), conclude that performance indicators in adult and continuing education need to be a valid reflection of the educational processes. They advocate educational performance indicators that give equal weight to inputs, process and outcomes. Adult and continuing education attempts to widen access through flexible learning provision and as such requires performance assessment systems to take cognisance of the backgrounds, expectations, educational support needs, likely attendance patterns and achievements of particular client groups. Foster (1991) examined performance indicators and adult education and commented (p. 6) that:

most adults and community educators recognise the variety and complexity of the issues surrounding adult learning. Unfortunately, the most commonly recommended and used performance indicators do not, because they are based on full-time students taking full-time courses, in a traditional college setting.

The National Institute of Adult and Continuing Education (NIACE) suggests a systems framework of inputs, process and outcomes for assessing performance.

2. Further Education

Theodossin (1987), in taking into account the nature of further education, recognised that two distinct groups have an active interest in the activities of a college. One

group is those who make demands (clients) and the other is those whose function is to attempt to satisfy demands (providers). Both clients and providers cover a range of individuals and groups. Theodossin's typology identifies indicators of efficiency and effectiveness differentiated according to the interests of the perceivers i.e. providers and clients.

Perception	Perceptors	
	Providers	Clients
Efficiency	Student Staff Ratios	Entry qualifications
	Unit Costs	Course length
	Room Utilisation	Venue/Teaching Times
		Cost fees/materials
		College administration
Effectiveness	Enrolments	Enrolments
	Retention/Completion rates	Retention/Completion rates
	Qualifications gained	Qualifications gained
	Post-Course destination	Satisfaction with course

From the above table there is more agreement between the perceptors over what constitutes an effective college than over what constitutes an efficient college. If you

extend the perceptors to encompass other stakeholder groups, such as the Scottish Office, the funding body, then such a perceptor would be particularly interested in the use of allocated resources, e.g. unit costs and room utilisation.

Melling (1991, p. 5) uses the term 'illuminative evaluation' to describe a process which uses a range of descriptive techniques, as well as normative measures, to cast light on further education provision for a range of stakeholders. It aims at aggregate performance and uses words and reason to explain those parts of the further education service that numbers and ratios cannot reach. "It is a true evaluation, not a form of accountancy".

Lowe (1994), commenting on the introduction of performance indicators in Scottish further education through 'Measuring Up' and concludes that there are three principal reasons for performance indicators in further education: a desire for quality; accountability to clients; and value for money. Each reason implies a particular user: providers; students and employers; and funders respectively. Lowe concludes that the way forward is to keep in mind the importance of justifying the time spent on PIs in terms of their enhancing value. The Scottish further education system of performance indicators is comprehensively discussed in the next chapter.

3. Higher education

The literature on performance indicators and evaluation in education is substantial but there is less literature available on the implementation of performance indicators in higher education. Since 1987 'University Management Statistics and Performance Indicators' have been published to assist institutional decision-making

and accountability. The early publications concentrated on input and process with limited data on output and outcome (OU, B887, Unit 10, p. 89). Current concerns in performance assessment include the assessment of teaching quality and the potential of quantitative PIs to assist in the assessment and comparison of 'value added' by higher education. Johnes and Taylor (1990, p.185), reach the conclusion that differences in institutional output are to be expected since outputs are always determined by inputs. They conclude (p. 185), that the only safe way to measure performance is to take an extremely broad view of what universities do and the processes they use to achieve their objectives and cite the warning issued annually in University management Statistics and Performance Indicators: "uncritical use of these indicators may seriously damage the health of your university" (CVCP). Cave et al. (1991), comment on the U.S. experience of the value-added measure where assessment has included considerable efforts in a number of institutions to develop more sensitive 'entry quality' or input measures and diagnostic tools, and to assess the personal development gains to individuals.

Sizer (1990) identifies five core uses of PIs in educational systems:

- Monitoring;
- Evaluation;
- Dialogue;
- Rationalisation; and
- Resource Allocation.

Dialogue as a use of PIs concerns the improvement of mutual administrative relationships by parties communicating with one another and attaching the same meaning to more abstract concepts. The dialogue concentrates on the institution's performance judged in the light of their objectives and terms of reference. Dialogue takes place during communications between the parties and should benefit each

party by facilitating a greater appreciation of the other's perspective. PIs can be the focus of the discussions between the parties. This use allows a high degree of self-determination and joint establishment of terms of reference between e.g. a funding organisation and a university or college.

Rationalisation is the accomplishment of a coherent policy making process and this facilitates the use of PIs as guidelines for assessing success in achieving the desired policy outcomes. Indicators can also play an important role in the planning process. The coherent policy making is a product of greater awareness of objectives and accomplishments.

PIs, in Sizer's analysis, provide transparency both within an institution and in the system as a whole. PIs may be used internally but can also be used to inform external agencies (stakeholders) with an interest in the way in which the organisation performs.

When PIs are generated for internal use they are likely to be used mainly for the purpose of concurrent control or monitoring and sometimes for evaluation with only limited use for planning. When PIs are generated for external consumption they may be used to evaluate organisational activity for the purposes of consumer choice, resource allocation or rewarding quality. Where PIs are used both for internal and external consumption, tension can develop between the different users and uses of PIs.

Cave et al. (1991), review the development of PIs in higher education and identify potential roles for them at two levels: the funder level; and the institutional level. The

stakeholder interest was not recognised at this point in time. At the end of 1992, the higher education funding councils established the Joint PIs Working Group, chaired by Professor Michael Sterling, Vice-Chancellor of Brunel University. The Report of the Working Group identifies a range of PIs with recommendations on how they should be calculated. The indicators are grouped under the following headings:

- Macro Indicators
- Institutional Indicators
- Charter Indicators

Institutional Indicators are sub-divided into four groups:

1. Teaching and Learning Outcomes and Student Achievement
2. Research
3. Financial Health
4. Estates

The Joint PIs Working Group built on earlier work that focused on PIs in higher education. The Joint Report (1985) distinguished between 'internal', 'external' and 'operating' indicators. 'Internal' indicators include variables that have common features of reflecting either inputs to the institutions or valuations internal to the institution, e.g. award of degrees. 'External' indicators reflect the valuations of an institution in the 'market place' for its outputs, e.g. the employment of its graduates. 'Operating' indicators include 'productivity ratios such as unit costs and reflected variables such as workloads and student numbers' (Jarratt 1985, p.36).

The Polytechnics and Colleges Funding Council (1990) identified four sets of 'macro PIs' relevant to the stated aims and objectives of the Government and the Funding Council. These were: Scale and effectiveness indicators, e.g. student population; Level of resourcing indicators, e.g. index of revenue resource; Efficiency indicators,

e.g. staff/student ratio; and Source of funds indicators, e.g. ratio of private fees to public funds (Morris, 1990, pp.28-32).

At institutional level the evaluation of performance must be based on institutional plans with successful performance related to the extent to which objectives outlined in the plans were achieved (Cave et al.,1991, pp. 55-56). Taking into account the post-Dearing context of higher education there is clearly a need for a contingency approach by institutions whereby particular environmental circumstances should determine the performance assessment system.

Yorke (1991, p. 160), comments that the task of turning external pressures for efficiency, accountability and effectiveness into internal performance assessment may be inappropriately consigned to institutional managers' huddled together in private'. He urges concern for quality issues despite the potential conflicts between academics and managers.

Following the recommendations of the National Committee of Inquiry into Higher Education (Dearing, 1997), the Government asked the funding councils to develop suitable indicators and benchmarks of performance in the higher education sector. The Performance Indicators Steering Group (PISG) was established, with membership drawn from government departments, the funding councils and representative bodies. Initially, the group focused on the requirements of government, funding councils and the management and governance of institutions. The PISG 's approach has been to develop indicators that will allow stakeholders to extract those that they regard as key and to create their own group of key indicators.

This approach takes into account the diversity of the HE sector. The group identified output measures of performance relating to: learning and teaching of students; extension of knowledge through research; and the application of knowledge and resources to meet the needs of business and society. The PISG advocate the use of context statistics that take into account differences thus promoting better comparisons between similar programmes and institutions. The next stage of development is to consider the needs of other stakeholders, particularly prospective students and their advisers (HEFCE, 1999, pp.1-2). The HEFCE Report highlights general issues concerning performance indicators for higher education including: multiple outputs; input measures; sector level indicators and benchmarks; and accuracy and simplicity (pp. 27-29). There is clearly a desire to expand the consumption of performance related information to other stakeholder groups while still retaining a concern for government and funder use (performance governance) and for institutional use (performance management).

The development of performance indicators in lifelong learning has taken place at the same time as developments in other areas of public management both in the UK and overseas. There are few systematic studies of implementation and much of the writing is based on description followed by prescription. Performance indicator systems in lifelong learning have tended to be conservative in that they closely follow national guidelines on the formulation of standard sets of indicators primarily for reporting to government and funders. Only in the mid-1990s has this changed. The chapter conclusion that follows analyses trends and engages with the existing literature on performance indicators in public management.

Chapter Conclusion

This chapter has considered five components that collectively represent the body of literature relevant to this study of public policy on performance indicators and the management of further education in Scotland. Section A identifies a number of policy initiatives from 1979 which have radically changed public management in the UK and performance indicators emerged as tools of this enhanced desire for performance governance. The literature on public policy implementation in Section B provides frameworks for the analysis of the public policies governing further education college incorporation and the introduction of performance indicators. This thesis will consider the way in which these policies have been implemented. Section C considered the variety of types and uses of performance indicators and reviewed the literature on performance indicators in public management. This section also traced the development of PIs from being solely tools of performance governance to their current status as tools of performance management and as tools of stakeholders in the drive for consumerism, quality and responsiveness. This latter drive has been comparatively recent in its inception and prompts the question as to its origins i.e. is it an intended policy impact or is it a result of the way in which the original policy has evolved from its original intent.. Section D considered the literature on the implementation of performance indicators in public management and found that there remains an interest in all three purposes of performance indicators: performance governance; performance management; and consumerism. Academic studies of implementation in the 1980s focused on descriptive analysis followed by prescriptive conclusions and tended to emphasise the need to move away from efficiency led performance indicators as performance governance to a greater emphasis on equity and consumerism. The literature has developed from

being prescriptive to engaging with user perceptions of the advantages and disadvantages of PI systems. Writers generally end by advocating several ways in which systems may be improved by avoiding potential problems and by advocating different approaches. These different approaches tend to focus on encouraging 'bottom-up' development and creating bespoke systems. There is also a discernible trend towards involving all stakeholders in the design, development and utilisation of the PI system. The literature on the implementation of performance indicators in lifelong learning, in Section E, reflects closely the knowledge of performance indicators gained in other public sector environments.

There is little doubt that the stimulus for the development of performance indicators came from the emergence of NPM as the dominant public management paradigm. The Efficiency Scrutinies, the FMI, 'Next Steps', Charterism and 'Network Governance' have all contributed to the logarithmic expansion in the use of performance indicators by governments, funders, public managers, clients and other stakeholders. Pollitt (2001, pp. 183-184), identifies many of the perceived benefits of 'reformed' public sector organisations. These include:

- Being close to clients/customers;
- Being performance-driven not rule-bound;
- Displaying a commitment to continuous quality improvement;
- Being structured in a 'lean' and 'flat' way- - highly decentralised, with street-level staff who are 'empowered' to be flexible and to innovate;
- Practising tight cost control, with the help of modern, commercial-style accounting systems;
- Using performance-related systems for recruiting, posting, promoting and paying staff.

Pollitt (Ibid.) goes on to identify the features of 'reinvented' governments and these include:

- 'Steering not rowing', i.e. become more concerned with strategy and less with operational implementation;
- Acting in anticipatory ways – Pro-activity;

- Seeking to use market mechanisms wherever [possible, either in the form of quasi-markets or by contracting out;
- Seeking inter-organisational partnerships, both within the public sector ('joined-up government') and with the private and voluntary sectors.

Pollitt additionally comments (p.186) that there have been surprisingly few independent, broad scope evaluations of public management reforms.

There therefore remains a shortage of studies of public policy implementation that focus on the results of public policy from the perspective of the operationalisation of the policy and its consequences. The remainder of this conclusion derives its focus from the themes that are addressed in the literature. Chapter III will consider the most appropriate research methodology to consider the performance indicators system in Scottish further education. Chapter IV will consider the specific features of the management of Scottish further education and the system of performance indicators used in Scottish FE.

CHAPTER III

RESEARCH METHODOLOGY

Introduction

This chapter of the thesis explains how the research problem was investigated and why particular methods and techniques were used. Research has to go beyond descriptions and incorporate analysis; it is a process of enquiry and investigation that requires a systematic and methodical approach. The objective of research is to contribute to knowledge. Knowledge is not easy to come by as there are many obstacles to developing knowledge and common sense is not enough (Simon, 1969, p. 466). Researchers seek strategies of empirical inquiry that will allow them to make connections among lived experience, larger social and cultural structures, and the here and now. These connections are forged out of the empirical materials that are gathered in any given investigation (Denzin and Lincoln, 1998, p. xi). A key purpose of much research is to derive theories and concepts and to re-interpret existing theoretical perspectives. Concepts and theories in combination with factual evidence produce explanations and add to the existing body of knowledge. Evidence itself is impregnated with theory, that is, it is gathered in a particular way for a particular purpose and according to a theoretical framework of some kind. Social values have an impact on concepts and theories. Values shape theories and influence the interpretation of evidence but both theories and evidence may also combine to refine values. Explanations in the social sciences are products of the combinations of social values, concepts and theories and factual evidence (Open University D103, Block 7).

Researchers are part of the empirical world of experience but nevertheless confront that world through their chosen paradigm or interpretative perspective. There are two questions that researchers must resolve at the beginning of a research project; these are the research design issues and the choice of strategy (Denzin and Lincoln, 1998, p. xi).

This chapter focuses on research methods considered, those rejected and the methods selected as being appropriate to the scope of this study of public policy implementation and performance indicators in Scottish further education. The chapter develops by firstly, in Section A, explaining the research paradigms. In Section B there is a consideration of the research focus and in Section C the elements in the research methodology. Section D looks at data collection methods and Section E the data analysis process.

Section A: Research Paradigms

1. Positivist and Phenomenological

A paradigm is an interpretative framework, a “basic set of beliefs that guides action” (Guba, 1990, p.17). Paradigms offer a framework comprising an accepted set of theories, methods and ways of defining data (Hussey and Hussey, 1997, p. 47).

The two main research paradigms are the positivist or quantitative paradigm and the phenomenological or qualitative paradigm. Each of these paradigms has features and assumptions and dictate, with varying degrees of freedom, the design of a research investigation. They can be considered as a continuum, with rigorous design principles at one end (positivist) and emergent, less well-structured directives on the other.

2. Paradigm Assumptions

Each paradigm is underpinned by assumptions. The ontological assumption involves deciding on whether the world is objective and external to the researcher or socially constructed and only understood by examining the perceptions of people. This research assumes the latter and focuses on performance indicators and the management of further education in Scotland.

The epistemological assumption is concerned with the study of knowledge and what we accept as valid knowledge. It involves the relationship between the researcher and the researched. In this study the researcher is not independent from that being researched and interacts directly with that being researched. This again directs me to the qualitative or phenomenological paradigm as being the most appropriate for this research.

The axiological assumption is concerned with values and the extent to which researchers are influenced by values. The phenomenological paradigm accepts that researchers are not value free and their values influence their perceptions and interpretations.

The rhetorical assumption is concerned with the language of research and the methodological assumption is concerned with the process of research (Cresswell, 1994, p.5).

The choice of paradigm has implications for the methodology and the research methods utilised; and is partly determined by the research problem being

investigated. The phenomenological or qualitative paradigm is concerned with understanding human behaviour from the participants own frame of reference (Hussey and Hussey, 1997, p.52) and therefore tends to make use of a methodology and methods which produce qualitative data derived from small samples for which reliability is low and validity high.

This study is an example of qualitative research, as this research mode is best suited to the study of performance indicators and the management of further education. Qualitative research according to Cresswell (1998, p.15) is:

an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyses words, reports detailed views of informants, and conducts the study in a natural setting.

The goal of qualitative research is the development of concepts which aid the understanding of social phenomena in natural settings, giving due emphasis to the meanings, experiences and views of all the participants (Pope and Mays, 1995). Qualitative research can reach aspects of complex behaviours, attitudes and interactions which quantitative methods cannot. Qualitative research is best suited to this study as there is a need for a detailed look at the impact of public policy as it is translated from Government to be actioned within the further education system.

Quantitative research also has a place in the social sciences and this study combines quantitative and qualitative methods allowing for 'triangulation' of the data obtained from the different research methods. This enables the researcher to better understand the phenomena under investigation. The triangulation of evidence using

different research methods adds to the researchers understanding and allows the researcher to compare and contrast research findings.

The grounding of theory in data is an important element in achieving the more general aim of supporting claims with credible evidence. Grounded theory methods assist a creative interaction between theory and research practice. Grounded theory, according to Strauss and Corbin (1997), is theory that is derived from data, systematically gathered and analysed through the research process. In this method, data collection, analysis and theory are closely related. The researcher begins with an area of study and allows the theory to emerge from the data. Theory derived from data is more likely to offer insight, enhance understanding and provide a meaningful guide to future action.

In conclusion, there is no one best research methodology but researchers have to decide on the methodology best suited to the field of research, the nature of the research questions and the type of data sought. Chadwick *et al* (1984, pp. 211-215) suggests, there are always caveats that the researcher must be aware of. In research which employs a qualitative methodology there is a tendency towards subjectivity which can affect reliability, it has a propensity to be time consuming, there is usually a lack of representativeness which complicates the ability to generalise, and there is a high risk of researcher and/or observation bias. However, providing the potential for these weaknesses is highlighted and accounted for then the integrity of the research will be ensured. For these reasons the combination of quantitative and qualitative is appropriate to this study of public policy implementation in Scottish further education.

Section B: The Research Design Focus

1. The Phenomenological Research Process

According to Denzin and Lincoln (1998, p.3), three interconnected generic activities define the phenomenological or qualitative research process these are; theory, method and analysis. The terms ontology, epistemology and methodology can also be used for the research process. Researchers often have a framework (theory, ontology) that specifies a set of questions (epistemology) that are examined (methodology, analysis) in specific ways.

Hussey and Hussey (1997, p. 15), identify six stages commonly found in research. The first stage is the identification of a research topic, in this research I identified performance indicators as an emerging area of public management. My academic interest in public policy implementation and my employment background in further and higher education led me to focus on a study of policy implementation in the area of performance indicators and management in Scottish further education. The second stage is defining the research problem. The literature research identified a lack of studies of policy implementation which focus on the policy-action continuum and this led me to consider the impact of central government policy on the use of performance indicators in Scottish further education. From this definition derive a range of research questions informed by the literature review. This research looks at what happens to Government policy as it is implemented at strategic and operational management levels in the further education system in Scotland and also the *cui bono* question of 'who benefits ?' from the implementation. The third stage is to determine the research methodology; this is the approach to the entire research study and is further discussed later in this chapter. The research problem, paradigm

and methodology inform the fourth stage, that is the activity of selecting the ways in which the research data are collected. This leads to the fifth stage where the data is analysed and interpreted and finally a sixth stage of writing up the research and deriving conclusions which contribute to the current body of knowledge on public policy implementation and performance indicators.

2. The Research Statement

Miles and Huberman (1984, p. 43) support the need for research statements or questions to be formulated in order to make the theoretical assumptions more explicit and thus to establish the original emphasis of the research.

The purpose of this case study of Scottish further education is to understand the implementation of public policy as it translates into operational action within the context of Scottish further education and to consider the relationship between performance indicators and the NPM.

Marshall and Rossman (1995, pp. 28-29) consider the literature search as fulfilling four functions:

- it demonstrates the underlying assumptions behind the general research questions;
- it demonstrates that the researcher is thoroughly knowledgeable about related research and the intellectual traditions that surround and support the study;
- it shows that the researcher has identified some gaps in previous research and the proposed study will fill a demonstrated need; and

- it refines and redefines the research questions and related tentative hypotheses by embedding those questions in larger empirical traditions.

The literature search identifies a gap in existing knowledge relative to studies of public policy implementation, which consider the way in which policy translates in to action. This study looks at stakeholder perceptions of the impact, utility, benefits and beneficiaries of performance indicators in Scottish further education. This research proposal was discussed in 1990 by my initial supervisory team of Professors Christopher Pollitt and Lewis Gunn. Agreement was reached on the value of the study as a contribution to knowledge in the areas of performance indicators, policy analysis and public management.

In particular the research supervisory team identified that my links with the further education community would be an asset in gaining access to a representative range of stakeholders. One of the research methods utilised is participant observation as this method allows the researcher to gather data selectively from the phenomena being researched. This method made use of my expertise in further education and its management and informed the focus of the participant observation without interfering with the objectivity of the research.

It is now accepted that all research methods have advantages and disadvantages and the methods selected must be appropriate to that which is being researched. Bouchard (1983), stresses the need for heterogeneity and multiple operationalism.

Section C: Elements of the Research Methodology

1. Data Collection Justification

The phenomenological paradigm tends towards the utilisation of means of generating qualitative data but not exclusively so, there may be a need to introduce a quantitative element in the research process. This study therefore makes use of a range of research methods including a case study of Scottish further education 1990-2000. A case study, according to Cresswell (1998, p. 61), is an exploration of a “bounded system” over time through detailed, in depth data collection involving multiple sources of information rich in context. Time and place bind the bounded system, in this case the Scottish further education system 1990-2000 and the impact of Government policy on performance indicators and the management of the FE system. This study additionally, makes use of multiple sources of information thus permitting triangulation between the different data collected. In this study data is collected at different times or from different sources, this is termed by Easterby-Smith, Thorpe and Lowe (1991) data triangulation. Data was collected at different times between 1996 and 2000 from strategic management, stakeholders and operational managers in the FE system. This can lead to greater reliability and validity than a single qualitative approach.

Most research questions cannot adequately be answered with just one study using a single research design. Use of multiple methods of data collection reduces the risk of unknown methodological influences on the study outcomes. Research designs using multiple methods can address more ambitious research questions and result in more valid research conclusions. It is for these reasons that this study utilises multiple methods of data collection.

The concept of induction is often applied to qualitative research. Although statements of relationship or hypotheses do evolve from data, whenever researchers conceptualise data or develop hypotheses, they are interpreting to some degree. Interpretation, according to Strauss and Corbin (1998, p.136-137), is a form of deduction. In social science research there is an interplay between induction and deduction.

No one research method can be said to be categorically superior to other methods in all respects and each method varies in its suitability to different research questions and goals. On the basis of the literature search, the consideration of research methods, and this researchers knowledge of the further education system in Scotland, certain research methods were rejected as being inappropriate to the focus of this research.

Experimental designs were rejected as they require a high degree of control and this would have required making use of a control group that had no experience of performance indicators and comparing data to that gathered from stakeholders in Scottish further education. Laboratory experiments were also rejected as this study concerns perceptions of practitioners of the 'real world' of public policy and performance indicators. Surveys were used as they facilitated the questioning of geographically dispersed stakeholders using a standard set of questions. The use of a statistical test to analyse the Strategic Management Survey allowed this researcher to conclude that the comments made on the bases of the completed questionnaires were reliable and not a set of random responses.

Other phenomenological methodologies were also considered. Action research involves applied research designed to find an effective way of bringing about change in a situation. Some action research is similar to problem-solving projects and consultancy and tends to focus on one organisation. This method was therefore not appropriate to the wider study of performance indicators in Scottish further education. Ethnography was also considered as inappropriate as it generally involves direct participation in the activities of a group and the observation and commentary on the group's functioning. This study is of a bounded system and a range of stakeholders. The various stakeholder groups only interact to a limited extent and therefore direct observation was not a feasible course of action.

This study utilises mainly qualitative data obtained from the surveys and interviews with some quantitative analysis of survey data. Data was collected from a range of stakeholders in the Scottish further education system in order to analyse their perceptions of performance indicators and the management of further education. The central question addressed in the research is the effects, utility, benefits and beneficiaries of performance indicators and management changes since 1990.

To study the impact of public policy there is a need to ask open-ended research questions and listen to responses. Initial responses inform changes in the questioning to reflect an increased understanding of the issue and to refine the focus of the questions to elicit a focused response. Qualitative research such as this requires an extensive collection of data from multiple sources and this study makes use of data abstracted from published reports, articles, books, surveys, and interviews. This study also experiments with a technique for assessing attitudes

over a period of time, a longitudinal approach, which I have termed the Reflective Attitude Matrix. This will be explained more fully at a later point in this chapter.

The methods chosen are clearly justifiable on the ground that the mixture of research methods adds to the validity of the data gathered. In addition the combination chosen allows for triangulation and permitted the data to be gathered over an acceptable time period from a diverse range of further education stakeholders. The methods chosen complement the expertise of the researcher whilst retaining maximum objectivity. The methods chosen are more likely to produce an acceptable response rate and must therefore more likely to enhance the validity of the research data. In this study there is a need for data validity in order to promote better research conclusions.

2. Data collected

The data collected consists of the literature review of published and unpublished secondary resources supplemented by a comprehensive range of quantitative and qualitative empirical data obtained through a variety of data collection methods. Each method will be described in more detail.

3. Data sources

This research makes use of an approach termed purposeful sampling that implies focusing on a bounded system, in this case the Scottish further education system. Within this system two key groups of managers (strategic and operational) are identified along with the third group, Government and the Funding Body and finally, a fourth group, the external stakeholders.

The secondary data sources included published reports, articles, books and unpublished studies of aspects of Scottish further education.

The data was obtained primarily from stakeholders in the Scottish further education system. The stakeholders can be classified into four broad groups as follows:

I) College Strategic Managers

Research methods used were: Interviews, Reflective Attitude Matrix and Survey

II) Government and Funding Body

Research methods used were: Interviews and Reflective Attitude Matrix

III) College Operational Managers

Research methods used were: Survey and Reflective Attitude Matrix

IV) Further Education External Stakeholders

Research methods used were: Focus Groups, Interviews and Reflective Attitude Matrix.

4. Data Collection Dates

The Strategic Management Survey was conducted in 1996 and the Interview Programme in 1997. The Government and Funding Bodies Interview Programme and Reflective Attitude Matrices were conducted in 1999. The College Operational Managers Survey and Reflective Attitude Matrices were conducted in early 2000. The Further Education External Stakeholders Focus Groups, Interviews and Reflective Attitude Matrices were conducted in 1999.

Section D. Data Collection Methods

1. Data From College Strategic Managers

The primary source of empirical data was a self-completed survey utilising a postal questionnaire with pre-coded questions. I decided to target the questionnaire at the senior manager with responsibility for college performance indicators in every FE college, 43 in all. The response rate was 40 out of 43 or 93%. Initially, a series of questions was designed to elicit responses to the suite of performance indicators advocated in the publication 'Measuring Up'. The questions were grouped under four sections A-D and an example of the form is contained in the appendices to this thesis. Respondents to the questionnaire were asked to complete brief biographical details before addressing the questions. I made use of a six-point agreement scale, this a form of attitude rating (Henerson, Lyons-Morris and Fitz-Gibbon, 1987). Unlike an ordered scale, the agreement scale achieves a wide range of scores by having respondents report the intensity of an attitude. In this case the respondents were asked to indicate their agreement with each statement by entering a number between 0 and 5 which best reflects their attitude to the given statements. I was able to pilot a draft of the questionnaire at the Scottish Association of Staff Development Officers in Further and Higher Education (SCASDO) at their 1996 Annual Conference. As a result of the piloting the questionnaire design was modified and the survey conducted in 1996 and early 1997. In addition to the agreement scale there was a section at the end of the questionnaire for qualitative comments.

Matrix A of the survey questionnaire contained 12 statements and 9 performance indicators giving (12 x 9) 108 responses. Matrix B contained 10 statements with 9

indicators giving (10 x 9) 90 responses. Matrix C contained 10 statements with 9 indicators, again a total of 90 responses. Matrix D did not make use of the 9 indicators and therefore only required one response to each of the 10 given statements. Therefore the questionnaire in total invited responses to 298 attitude measures.

An interview programme in early 1997 followed up the College Strategic Management Survey. Interviews were conducted with 18 Senior Managers and 2 members of Boards of Management. Colleges from each of the former mainland education authorities were represented in the interview programme and 50% of all Scottish FE colleges participated. The first part of the Interview Programme followed the same structure as the survey questionnaire and was formal and structured. The second part of the interview was semi-structured with the use of broader open question. The style adopted for all parts of this interview programme was a direct style that clearly explained the purpose of the interview and directed the interviewee's attention to specific areas to be covered by the questioning.

The framework is best described as semi-structured in that all participants were asked the same series of questions that included a mix of open, reflective and closed questions. Their responses were recorded using a dictaphone and hand written notes. In addition participants were asked several open questions at the conclusion of the interview. The Strategic Management Interview Framework is contained in the appendices to this thesis. A summary of each interview was drafted as soon as possible after the end of the interview to promote better recollection.

During the planning of the research I wanted to make use of a method which gauged attitudes over a period of time in order to allow me to comment on trends and changes in attitudes over the period 1990-2000. I could not find an existing method, which addresses this longitudinal reflection, and I therefore decided to develop a research method to suit my requirements. Reflective Attitude Matrices (See Thesis Appendices) make use of a two-dimensional framework with attitude statement on one axis and a time scale on the other. Respondents were asked to begin on the left and to draw a line from left to right that accurately reflects their attitude to a given statement over a period of time. In some cases there was no change of attitude but in others attitudes changed over time resulting in more positive and more negative attitudes to the given statements. The Reflective Attitude Matrices can be used both as a survey instrument and as a tool for framing interview questions. Once the respondents have graphed their responses, they are asked to explain the trend over the period in question making use of questions such as 'Why did your attitude to performance indicators change over this period?'. The responses often reveal changing perceptions triggered by personal experience of performance indicators or as a consequence of changing public policy on performance indicators and the management of further education. Recall detail can be very unreliable and this can create difficulties in situations where projections are made on the basis of participant recollections e.g. in exit polls at elections.

2. Data From Government and Funding Body

The sources of the data were managers within the Scottish Executive and within the Scottish Further Education Funding Council. The interviews were semi-structured in that all participants were asked the same series of questions that included a mix of

open, reflective and closed questions. Their responses were recorded using a dictaphone and hand written notes. In addition participants were asked several open questions at the conclusion of the interview. The Government and Funding Body Interview Framework is contained in the appendices to this thesis. A summary of each interview was drafted as soon as possible after the end of the interview to promote better recollection.

The reflective attitude matrices were used to gauge the changing attitude of Government and Funding Bodies to performance indicators and the management of further education.

3. Data From College Operational Managers

This group represents college managers who translate policy into action and are therefore central to this investigation of the policy-action continuum. The survey was sent to all 43 colleges with 5 copies of the questionnaire per college. 45 responses were received from 30 colleges of further education. The survey was divided into two parts; a questionnaire, which utilised ranking and focused questions and graphical Reflective Attitude Matrices (RAMs) supplemented by six open qualitative questions. The questionnaire asked 21 questions on the performance indicators system in Scottish further education focusing on the system's implementation. The questions were designed to assess user perceptions across several dimensions of a performance indicators system. The questionnaire is contained in the appendices to this thesis.

4. Data From Further Education External Stakeholders

This group consisted representatives of the following groups:

The Scottish Qualifications Agency	The Scottish Further Education Unit
The Association of Scottish Colleges	Scottish Enterprise Network
The Committee of Higher Education Principals	FE Students
The Scottish School of Further Education	Scottish University for Industry
The Educational Institute of Scotland	

The Stakeholder Interview Framework was semi-structured in that all participants were asked the same series of questions that included a mix of open, reflective and closed questions. Their responses were recorded using a dictaphone and hand written notes. In addition participants were asked several open questions at the conclusion of the interview. The Stakeholder Interview Framework is contained in the appendices to this thesis. A summary of each interview was drafted as soon as possible after the end of the interview to promote better recollection.

Reflective Attitude Matrices (See Thesis Appendices) were also used in addition to the interviews. Once the respondents have graphed their responses, they were asked to explain the trend over the period in question. The responses often reveal changing perceptions triggered by personal experience of performance indicators or as a consequence of changing public policy on performance indicators and the management of further education.

FE students were asked their views on performance indicators and the management of further education using Focus Groups. This method was used to gather data relating to the feelings and opinions of FE students on the use of performance indicators in further education. Four groups of 10 full and part-time students undertaking the B.A. degree in Public Administration and Management at Glasgow

Caledonian University were selected by the researcher and used for the focus groups as each group member had recent experience (in the period 1996-99) as a full-time or part-time further education student in a Scottish college. The Focus Groups discussed performance indicators in Scottish FE making use of the same framework as used in the Stakeholder Interviews.

Three Focus Groups were also used for gathering evidence from employees of the three city centre colleges of further education. The focus groups were selected by senior managers in each college and were representative of different classifications of college employee and college managers, in response to a request from the researcher, selected the members. The focus groups were facilitated by the researcher and used the same structure as the survey of operational managers. Questions were discussed within each group and responses noted by the facilitator.

Section E: The Data Analysis Process

1. The Theory of Process

Morse (1994) argues that all the different approaches to analysing qualitative data are based on four processes. The first process comprehends the setting, culture and study topic before the research commences. The second process is synthesising of different themes and concepts from the research and forming them into new, integrated patterns. This involves data reduction and filtering to give a general explanation. Theorising, which focuses on confronting the data with alternative explanations, follows next. Finally, there is recontextualising that is the process of generalisation so that theory emerging from the study can be applied to

other situations. This requires the researcher to return to existing theories to place the results in a context.

In qualitative research the researcher begins with creating and organising files of information and then, through a process of reading, recording and abstracting, begins to develop an awareness of the key data which directly impact on the research questions.

In this study of Scottish further education analysis consists of making a detailed description of the case and its setting. Stake (1994) advocates four forms of data analysis and interpretation appropriate to this case study. The first form, categorical aggregation, involves seeking a collection of instances from the data, hoping that issue-relevant meanings will emerge. Direct interpretation is the second form and focuses on a single instance and draws meanings from it without looking for multiple instances. Patterns analysis is a third way requiring a focus on correspondence between two or more categories of data showing the existence of relationships. The fourth approach is naturalistic generalisations from data analysis and this involves abstracting and generalising from the data and applying the generalisation to a population of cases. In this study the context is clearly established at both general public management and specific further education system levels. The major policy initiatives affecting performance indicators and the management of further education in Scotland are described in detail. Data is gathered from several sources using several methods and then aggregated into patterns addressing specific dimensions of the research questions. In the thesis conclusions, generalisations are developed from the study and comments made on the extent to which this adds to the existing

body of knowledge on performance indicators and the implementation of public policy.

2. Analysing the College Strategic Management Data

The first source of data was the Strategic Management Survey. The numerical responses to the 298 statements have a relationship one to the other concerning the extent to which the respondent agrees or disagrees with the given statements. The scale of the numerical response was 0-5 and incorporates the relation “greater than” ($>$). This relation is irreflexive, asymmetrical and transitive. Since any order-preserving transformation does not change the information contained in an ordinal scale, it does not matter what numbers are given to a pair of classes or to members of those classes. This holds, provided that a higher number is given to the members of classes that are “greater” or, in this case, represent a stronger level of agreement with the given statement.

The statistic most appropriate for describing the central tendency of scores in an ordinal scale is the median. The statistic most appropriate for describing the most popular response is the mode. Both are used in analysing the survey responses.

The second source was the Interview Programme; this was a follow-up to the Strategic Management Survey. The questions asked were intended to provide supplementary information from which conclusions could be drawn on the attitudes of college senior managers to performance indicators and management changes in further education. The interview was recorded using a dictaphone and notes were taken to supplement the recording. The recordings captured the information given

i.e. the verbal content, but the note recorded information given off i.e. 'body language'. Each interview was summarised as soon as possible afterwards and key point abstracted for further consideration. These key points are discussed in detail in the relevant chapter.

The third element was the reflective attitude matrix (RAM), which was used as part of the interview programme to assess attitudes over time and was analysed by considering the trend over the period of time in question. This immediate analysis informed further probing question as to the reasons for changes in attitude over the time period being researched.

3. Analysing the Government and Funding Body Data

The data generated by the interviews and reflective attitude matrices was analysed in using the same approach as the Strategic Management data.

4. Analysing the College Operational Management Data

In Part I of the survey there are 21 questions and the data generated by these questions is analysed question by question. In Part II of the survey the four Reflective Attitude Matrices are each analysed separately as are the six remaining qualitative questions. Employee focus groups were used in the studies of the three Glasgow city centre colleges. Conclusions are derived from the analysis of the survey as a whole and these are summarised in Chapter VI. The focus group data is also analysed along with the other case study data in Chapter VI.

5. Analysing the External Stakeholder Data

The data generated by the interviews and reflective attitude matrices was analysed in using the same approach as the Strategic Management data. A focus group of students of public administration and management who were also former further education students was used to generate data on their experiences of Scottish further education

6. Triangulation

In qualitative research, the convergence of sources of information, views of investigators, different theories and different methodologies represents the triangulation of ideas to help support the development of themes (Denzin, 1970). In case study research, Stake (1975) places emphasis on sources of data and suggests that the researcher triangulate differently based on “data situations” in the case. Triangulation does not guarantee validity and has its critics (Silverman, 1993 pp. 98-99). However, triangulation, if used with due caution, can enhance the credibility of a research account by generating additional evidence.

In this study the triangulation is based on the data from the different surveys and interview programmes as well as the focus groups and the reflective attitude matrix. In combination these methods offer a more comprehensive insight into stakeholder perceptions of performance indicators and the management of further education in Scotland and this adds to the researchers understanding of the policy implementation process in this field of governmental activity.

Without triangulation the quality of data would not have been the same. The Strategic Management Survey and Interview Programme offers useful data but does not consider the impact of public policy as perceived by additional stakeholders in the further education system. The approach adopted in this study utilises multiple methods of generating data from multiple stakeholders and is therefore a more complete picture of stakeholders perceptions.

7. Reliability and Validity

This dimension of research focuses on the credibility of the research, that is, the extent to which the evidence and conclusions will stand up to the closest scrutiny (Raimond, 1993, p. 55). If a research finding can be repeated it is reliable (Hussey and Hussey, 1997, p. 57). Reliability is concerned with the likelihood of repetition generating the same findings. Validity is concerned with the extent to which the research findings accurately represent what is really happening in the situation.

Validity is also well supported in the methodology as data is drawn from a range of stakeholders in further education and conclusions are drawn from the range of stakeholder data. The questions set by survey and interview focus directly on the experiences of managers and other stakeholders in relation to the implementation of performance indicators in Scottish further education. This approach therefore views the research question from different perceptions; conclusions are therefore based on multiple perceptions of performance indicators and the management of further education in Scotland. The result of this is that, in combination, the data accurately reflects the views of stakeholders and conclusions accurately represent the reality of

attitudes to performance indicators and the management of Scottish further education 1990-2000.

Reliability has proved particularly difficult for qualitative researchers as it dependent on the replication of the research exercise. Reliability is demonstrated in situations where the replicated exercise produces the same findings. In this study there is a replication of the research exercise but with a different group of stakeholders. This use of the same methodology enhances the acceptability of the research findings as a true account of the phenomena.

Chapter Conclusion

Every research study must be evaluated in terms of the methodology used. By considering questions of research methodology the researcher should better understand the tools of research and the potential pitfalls associated with research problems of various kinds. A key objective of research in the social sciences is to promote the enhancement of knowledge in relation to the focus of the study. In this case the contribution to knowledge will be in the academic area of public management with particular emphasis on the relationship between performance indicators and the New Public Management (NPM). The researcher must strive to promote objectivity in the research and to ensure that there is a high degree of reliability, validity and credibility in the research process. This thesis develops by considering the specific context of Scottish further education before applying the research methods and generating empirical data for further analysis. This chapter explained the research rationale underpinning this particular study and the end result of the consideration of the methodological issues is a systematic research plan that addresses the key issues identified in order to deliver a study that is both rigorous and fair and which demonstrates fitness for purpose.

CHAPTER IV

THE DEVELOPMENT AND MANAGEMENT OF FE IN SCOTLAND

Introduction

This chapter contextualises PIs in Scottish further education by explaining the development of the system and the current environment in which further education managers have to operate.

NPM has affected all areas of public management in the UK. Hood's seven 'Doctrinal Components' of NPM can be readily applied to the post-1993 system of Scottish further education. The Scottish further education has been 'unbundled into corporatised units' (Hood's 1) through the removal of colleges from local education authority control and their establishment as corporate entities. Colleges over the period from 1993 have been subject to 'more contract based competitive provision with internal markets and term contracts' (Hood's 2). There is clearly a 'stress on private-sector styles of management practice' (Hood's 3). There is much more stress on 'discipline and frugality in resource use' (Hood's 4). The movement away from local authority control has resulted in more emphasis on 'visible hands-on management' (Hood's 5). There are 'explicit formal measurable standards and measures of performance and success' (Hood's 6) in the form of the prescribed suite of performance indicators. There is much 'greater emphasis on output controls' (Hood's 7) exercised by the Scottish Further Education Funding Council and the Scottish Executive. This case study therefore provides an ideal focus for researching the impact of NPM and performance indicators on a public management system.

In Section A, the principal historical developments in the Scottish tertiary education system are considered. Section B looks at changes in the management of further

education from the mid 1980s. Section C considers consumerism and the principal stakeholders in the Scottish further education system along with developments in quality and responsiveness. Section D examines the system of PIs and its relationship to environmental changes in the further education system. Section E reviews recent changes in performance indicators, funding and the management of further education. The contextualisation provides information on what is a complex and dynamic further education environment as an essential prelude to the more detailed consideration of the system of PIs in subsequent thesis chapters.

Section A: The Development of Scottish Further Education

1. Origins of the Scottish Education Department

The Scottish Office Education and Industry Department (SED) is that Department of the Scottish Office whose functions and responsibilities roughly parallel those of the Department of Education and Science in England and Wales. Although it is now part of the Scottish Office, the SED is in fact the older institution, as it came into being to exercise some central control and direction over the rapidly expanding local school boards, which had increased in number and activity as a result of the 1872 Education (Scotland) Act: thus the “Scotch” Education Department was established in that same year (Open University 1979, E222 Unit 3 p.15).

2. The Mechanics Institute

Further education in Scotland had its origin in evening classes for the instruction of working mechanics in Glasgow in 1800. These classes led to the establishment by private individuals of ‘The Mechanics Institute’ in 1823. Similar developments in Edinburgh led, in 1821, to the establishment there of “The School of Arts”, for the purpose of giving workmen education in scientific principles. These two institutions were the forerunners of the University of Strathclyde (in Glasgow) and Heriot-Watt University (in Edinburgh). Following

these early nineteenth century developments, many mechanics institutes appeared in towns in Scotland and England and a base for technical education was established (J. Scotland 1969, pp. 303-306).

3. Government Involvement

From the mid-nineteenth century government grants were available for technical education and for other areas of post-compulsory education. The administration of these grants was transferred to the Scotch Education Department in 1897 and in 1901 the Department issued a Code of Regulations for Continuation Classes in Scotland. The code organised post-school education into four divisions:

- classes for the completion of elementary education;
 - elementary classes in technical subjects;
 - organised courses in technical education lasting three years or more, and
 - non-vocational classes.
- (I. R. Findlay, 1973 P.31)

4. Further Education in the Post-War Period

The Education (Scotland) Act 1945 placed upon education authorities the duty to ensure the provision of adequate facilities for all forms of further education. When demand for day and evening courses grew in the 1940s and 1950s it became apparent that there was a lack of provision in the form of further education centres. This was recognised in the 1956 Ministry of Education White Paper Technical Education (Cmnd. 9703). The White Paper criticised further education in Scotland. With a few exceptions, notably Stow College of Engineering and Coatbridge Technical College, which were purpose built colleges, courses were provided in old schools, factories and disused premises. Such premises were not conducive to learning. The White Paper proposed additional funding aimed at doubling the output from the colleges of young people with advanced technical, craft and technician qualifications. Education authorities and central institutions responded rapidly to the challenge of

extending the further education services. The SED recruited specialised HMIs for further education who were able to assess and oversee developments (S. Niven 1985 pp 128-131).

5. Sustaining the Growth 1975-93

By the time local government reorganisation took place in Scotland in May 1975, the emphasis had shifted from creating new facilities to sustaining the growth in support for courses and modifying them to meet changing needs.

From May 1975 the education authorities were the regional and island councils. The managers of the colleges were appointed by the education authorities. Although there were statutory provisions establishing college councils, these tended to meet infrequently. The membership would typically have been representatives of the education authority, college Strategic Management, staff, trade unions, university representatives and local employers. The powers of the college council were limited and they tended to interfere very little in the management relationship between the local education authority and college-appointed Strategic Management. Colleges were largely financed through local authority funding with about 80% of a typical college's income coming from that source. The remaining 20% of a typical college's income came from fees and charges for meals and other college services.

The Education (Scotland) Act 1980 reiterated the duty of education authorities to secure adequate provision of further education for their area. Detailed control over further education was exercised by the education authorities. A common approach was to have a senior member of the education department of the regional or islands authority responsible for the further education service and to have a team supporting the links between individual colleges and the education directorate.

The principal stakeholders at this time were:

- the education authority;
- college management;
- staff;
- students;
- the Scottish Office Education Department;
- Her Majesty's Inspectorate;
- The Scottish Vocational Education Council (SCOTVEC)

The most powerful stakeholder was clearly the education authority and both elected members and senior officers of the education department exercised this power. College Principals implemented education authority policy and had little influence in policy formulation or strategic college management.

6. Client Base

At the time Scottish Colleges incorporated (see later section) and moved from local authority control (1st April, 1993), there were 46 Scottish Colleges of further education providing education and training to about 200,000 people a year.

Client groups served by the colleges included:

- school leavers
- adults in the community
- overseas students
- people with disabilities
- public and private sector employers
- public and private sector employees
- local enterprise companies.

Most of the courses offered by Scottish colleges of further education are accredited and awarded by the Scottish Vocational Education Council (SCOTVEC) (SFEU 1993).

7. Scottish Higher Education

It would be appropriate to briefly outline the Scottish provisions for tertiary education outwith the further education sector.

Scotland has four traditional universities: Aberdeen, Edinburgh, Glasgow and St. Andrews. A further four universities were created in the 1960s: Dundee, Heriot-Watt, Stirling and Strathclyde. In addition Scotland had a number of 'central institutions'; these were situated in important centres of population and were allowed to develop specialist courses. The CIs as they were known were funded directly by the Scottish Office and provided a range of courses, some overlapping directly with the further education colleges. The largest CIs provided comprehensive programmes, latterly under the auspices of the now defunct Council for National Academic Awards (CNAA), and closely resembled Polytechnics in their structures and curricula.

Under the provisions of the Further and Higher Education (Scotland) Act (1993) five former CIs have applied for and were given university status, namely: Dundee Abertay, Glasgow Caledonian, Napier, Paisley and Robert Gordon's.

There are 23 tertiary education institutions outwith the further education sector. These comprise the thirteen universities plus the colleges of education, schools of art, agricultural colleges and the Royal Scottish Academy of Music and Drama. All these institutions are part of a grouping that is funded by the Scottish Higher Education Funding Council (SHEFC). In 1992, the Principals of the Scottish Universities and of the Scottish Centrally-Funded Colleges established the Committee of Scottish Higher Education Principals (COSHEP) to provide a body that could speak on behalf of all higher education institutions in Scotland on issues of common concern. In particular, COSHEP is concerned with issues relating to funding and hence is in regular dialogue with the Scottish Higher Education Funding Council (SHEFC) (COSHEP 1994).

Section B: The Management of Further Education From 1979

Introduction

In this section key developments in the management of further education in England and Wales are summarised prior to a more focused consideration of the work of the Council for Tertiary Education in Scotland. There is a review of the development from 1985 to 1989 under the heading of 'The Management of Educational Resources' followed by an examination of the key legislative changes from 1989 to 1992.

1. Management Developments in England and Wales

A firm of management consultants was appointed by the Audit Commission to undertake a study of a number of colleges and local education authorities in England and Wales. The outcome of the study was published in 1983 and highlighted an approach to measuring efficiency using PIs (The Audit Commission 1983).

By 1985 some 165 further education colleges in England and Wales had been reviewed as part of 'Value for Money (VFM)' study by the Audit Commission. The Audit Commission's findings were published in 1985 and represented a milestone in the management of further education.

The report, Obtaining Better Value from Further Education (Audit Commission 1985), did two things: first, it ensured significant changes in the philosophy of FE management, and secondly, it acted as a catalyst to clarify a number of trends in management development for FE managers to promote a greater awareness of the implications of managing to promote value for money (VFM). The Audit Commission report leant disproportionately on considerations of economy and efficiency, because no reliable measures of effectiveness were as yet available.

The report of the Joint Efficiency Study, Managing Colleges Efficiently (DES/Welsh Office 1987), contained important findings on value for money in further education. A closely related document, Manage for a purpose: the report of the good management practice group (National Advisory Body for Public Sector Higher Education, 1987) also contained a number of key recommendations. These two publications plus a consultation document, Maintained further education finance, governance and law (DES, 1987) and two Acts, the Education Reform Act 1988 and the Further and Higher Education Act 1992 brought about radical changes in the management of further education in England and Wales.

The legislative changes extended the financial and managerial autonomy of colleges. The Education Reform Act 1988 required local education authorities (LEAs) to delegate funds for planned provision to newly established governing bodies. LEA Schemes of Delegation outlined the principles on which local strategic planning of further education was to be based, set out the mechanisms for planning and funding provision and explained how institutional budgets were to be delegated. The Schemes of Delegation also stated what data the LEA would require to monitor performance of these institutions used by the Scheme. The Further and Higher Education Act 1992 created the legislative framework for college incorporation. This Act established the Further Education Funding Council that is responsible for the funding of all incorporated colleges of further education. The articles of government for incorporated colleges state that the board of governors should draw half its members from the world of industry and commerce, thus shifting the balance away from local authorities (Furthering Education 1993, Issue 1 pp 4-5).

The 1988 Act was in retrospect a halfway stage that led to full incorporation under the legislative provisions of the 1992 Act. There were parallel

developments in Scotland and these will be examined in the subsequent part of this section.

2. Council for Tertiary Education in Scotland

The Secretary of State appointed the Council for Tertiary Education in Scotland in May, 1979 with the following terms of reference:

To advise the Secretary of State on such questions relating to tertiary education in Scotland as he may remit to the Council, and on such other matters as the Council may consider relevant to the development of non-university tertiary education and its relations with university education in Scotland.

(Council for Tertiary Education in Scotland, 1981 p.2)

In a letter dated 26 October to the Chairman of the Council, the Secretary of State said:

I welcome the proposal that the Council should undertake a review of the structure and management of tertiary education in Scotland, with the primary objective of ensuring that available resources are applied to meet needs in the most effective and economical way. The effective utilisation of resources is of course a matter to which the Government attach considerable importance at the present time.

(Council for Tertiary Education in Scotland, 1981, p.3)

The Committee identified desirable capabilities for the tertiary education sector including:

- maximum effectiveness for any given level of resourcing;
- quality; and
- the equitable deployment of resources.

Consideration was given by the Committee to the mechanisms for accountability by the institutions for the way they use resources and provide services.

The Committee recommended the strengthening of college councils. In particular they should have financial responsibilities and responsibility for the

appointment of staff below principal level. The main thrust of the committee's recommendations was to establish a national authority to oversee the Scottish tertiary education system (excluding universities).

The Report was not well received by the Government as it recommended the creation of a national authority, thus adding to the complexity of agencies involved in the management of Scottish further education. Other recommendations on the movement of certain local authority colleges to the centrally funded colleges group were accepted. Nevertheless there was a clear message from the Government in the terms of reference that there was concern with both effectiveness and economy. Effectiveness was defined as the effective utilisation of resources that is, in fact, efficiency. Therefore the Government was seeking improvements in efficiency and economy. Although equity and quality were mentioned they did not appear prominently in the Council's deliberations.

3. Developments in the Management of Further Education in the 1980s

The Scottish Office recognised the importance of promoting good management and of achieving value for money in education by establishing, early in 1985, the Management of Educational Resources Unit (MERU) within HM Inspectorate of Schools. The aim of the MERU is to increase management expertise and value for money within and beyond the Scottish Office Education Department. The work includes:

- analysing and evaluating inspection and other evidence on the management and
- use of educational resources;
- contributing to the inspection of management and use of educational resources;
- contributing to the inspection of management in schools and colleges;
- producing working papers for use within the S.O.E.D. and elsewhere; and
- developing PIs and undertaking costing exercises.
(HMSO 1990 Foreword).

Proposals to change the way in which further education in Scotland was managed were contained in a series of Government consultative papers published by the then Scottish Education Department (now S.O.E.D.). In May 1986, Commercial Activities in Local Authority Further Education Colleges identified the potential of colleges to generate income from their commercial activities. In August 1986, Proposals for Improving the Management of Further Education Colleges recognised the scope for delegating certain responsibilities from the education authorities to colleges.

This was clearly the beginning of the NPM reforms in Scottish further education prompted by development elsewhere in the public sector such as the FMI. The thrust of this change was the desire on the part of government to unbundled the public sector into corporatised units (Hood's NPM Doctrinal Component 1).

A Working Party was set up by the then Scottish Education Department in consultation with the local authorities employers' body the Convention of Scottish Local Authorities (COSLA), to consider how the management of further education might be made more effective and efficient in meeting the needs of students and the local labour market, having regard to the Government's proposals for further education college councils and commercial activities and to the functions of education authorities and the Scottish Education Department. The proposals of this Working Party largely informed the White Paper College Control Principle (SED, 1989). This Government White Paper adopted three general principles: firstly, as far as possible decisions should be taken at college level and college councils should control college resources so that colleges have power and freedom to innovate in response to local labour market needs; secondly, colleges should have financial incentives to respond to these needs; and thirdly, legislation should set out only a broad framework within which

education authorities and college councils can make arrangements suited to local circumstances.

In 1985, the School of Further Education at Jordanhill College sponsored a Working Group with members drawn from the Association of College Principals, HM Inspectorate and the School of Further Education. The report of this group, Responding to Change in Further Education: Management Structures in Local Authority Colleges (Jordanhill College, 1985), identified the need for further deliberation on management issues. The Scottish Education Department, early in 1988, supported the creation of five Working Groups of college principals. The focus of the groups' deliberations was the consideration of aspects of college management. Each Working Group was asked to produce a report on key issues facing college management in its allocated remit. The remits were:

- Organisation of Marketing;
- Staff Development;
- Curriculum Management;
- Management Roles at Various Levels;
- Resources Organisation.

The Working Groups reported in 1989 shortly after, the principles set out in the 1989 White Paper were enacted by the Self Governing Schools Etc. (Scotland) Act, 1989 and by the College Councils (Scotland) (No.2) Regulations 1990.

4. College Control

The 1989-90 legislative provisions created the framework for college councils to have a strategic role in college planning, finance, organisation, staffing, property and courses. Under these provisions, college councillors were appointed by the education authority that had to consult employers, trade unions and other organisations representing interests relevant to the work of the college. Other nominations could be accepted from staff and students' representatives. The

college councillors were to serve for four years, with half of the college council standing down every two years. Student representatives served only one year and the college principal served throughout the period of his/her appointment. The maximum size of a college council was 20 members with at least half the members being private and public sector employers. Not more than 20% of the members could be local authority representatives. The remaining places had to include a student representative, a member of the teaching staff at the college, a member of the non-teaching staff and the college principal who was an ex-officio member.

College councils were empowered to determine what full-time and part-time staff were required, to select staff for formal appointment by the education authority and to determine the grading of full and part-time posts. The shortlist for the post of principal had to be approved by the education authority, but the college council made the final choice of the successful candidate. The college council had comprehensive responsibilities for the personnel management of college staff.

Legislation provided that the education authority must fund the college council both for its delegated function and for the college council's own administrative expenses. In determining the funding of an individual college, its parent authority had to take into account:

- college development plans;
- what activities it would fund;
- the number of full-time equivalent students the college proposed to teach;
- other relevant considerations; and
- costs.

Once funds had been allocated, the college council could switch them between any budget heading, except from capital to current.

Education authorities had to delegate to the college council control of the use of the college's land and buildings but the education authority continued to be the college council's landlord. The college council had to maintain and repair college buildings and pay the education authority for the use of the college premises. The college council had complete freedom to buy, sell, hold and use moveable property.

Under the 1989 legislative provisions, education authorities were to extend powers to conduct commercial activities through further education colleges. Authorities could also set up companies under the Companies Act 1985 to undertake commercial activities. Both the powers to undertake commercial activities and to form companies were delegated to college councils. Commercial activities carried out under the 1989 Act were subject to four statutory safeguards:

- commercial activities must not be to the detriment of the main further education activities of the college;
- goods and services must not be sold below open market value;
- the full cost should be charged to the commercial activities accounts; and
- college councils must try to ensure a surplus each financial year.

Education authorities were required to prepare further education strategies and to provide guidelines for college development plans. The college plans would in turn be submitted to the local authorities for approval. The strategies and plans had to be related to academic years and had to cover at least three years ahead. They had to be renewed and revised annually. The first year of the plan would provide the college council's expenditure for the next financial year. The

development plan could include:

- a mission statement
- a profile of the college
- goals

- annual review
- college programmes
- strategies
- quality assurance
- PIs.

The development planning proposals were largely based on a report published in June 1989 entitled Scottish Further Education Development Plans (Scottish Office 1989) and known as the Miller/Neil Report after its authors Edward Miller (formerly Director of Education, Strathclyde Regional Council) and James Neil (Principal, Dumfries and Galloway College of Technology). In addition a “Toolkit” for planning commercial activities was developed by Peat, Marwick, McLintock, Management Consultants for the SOED to meet the needs of Scottish further education colleges in connection with preparation of business plans for commercial activities.

The term ‘corporate college’ was used in the 1989 Act to describe a situation where a college become incorporated under the Companies Act 1985. In such a situation the college would be run by a board of directors like other companies, rather than by a college council. The main difference would be that a corporate college could own its own land and buildings, employ its own staff and make loans to commercial companies. A corporate college would also be subject to commercial freedoms and disciplines under the Companies Act including the option of bankruptcy. However, the corporate college option, it was stressed, was not a form of privatisation or opting out. Such colleges would remain in the local authority sector as they depended on the local authority for most of their funds.

The ‘college control’ legislative provision took Scottish FE colleges a further stage into NPM. As part of this package colleges had to be more ‘business like’ and more ‘managerial’. However in order to allow control by the education authorities and the Scottish Office there was a need for performance

measurement techniques initially to allow government and funders to exercise control.

5. Staff Development and Appraisal

National Guidelines for Staff Development and Appraisal in Further Education were published by the SOED in February, 1991. The Guidelines invited education authorities to prepare guidance for further education college councils for staff development and appraisal to enable college councils to prepare their own schemes.

The Guidelines contained objectives for schemes of staff development and appraisal, including the following:

- to maximise the effectiveness and efficiency of the college so as
- to enhance the quality of teaching and learning;
- to maintain and improve standards of professional performance;
- to identify and meet staff development needs; and
- to assist staff in the continued development of their careers.

The guidelines also advocated a particular form of appraisal whereby staff performance would be reviewed against each individual's objectives. The appraisal would be conducted by line managers of staff at least every two years.

The 'College Control Principle' represented a radical change in the management of further education in Scotland. New college councils were established in August 1990 but they were to be short-lived. In May 1991, the Scottish Office published a White Paper, Access and Opportunity: A Strategy for Education and Training, in which the delegation schemes introduced by the self-governing Schools etc. (Scotland) Act 1989 were criticised as being unable to provide the necessary powers to allow colleges freedom to innovate and respond quickly to

the needs of their customers. The Government gave a commitment in the 1991 White Paper to 'legislate to establish all further education colleges offering full-time education as freestanding corporate bodies with powers to employ staff, and own land and buildings'.

Colleges would be funded directly by the Government from 1st April 1993 through the Scottish Office Education Department. Thus the 'College Control Principle' was viewed, retrospectively, as an interim stage to college incorporation. The interim stage was not allowed to yield evidence of the extent to which delegation was working as the May 1991 White Paper was published one month after the beginning of the first full financial year of delegated powers.

The White Paper contained a comprehensive set of proposals for Scottish further education that was subsequently implemented by legislative provisions. In the White Paper the goals for Scottish further education were clearly stated as:

- better informed career choice at the critical points of decision about jobs and training;
- planned quality training and further education to recognised standards;
- better incentives for people to obtain qualifications;
- greater participation so more people can attain high level skills;
- valued vocational qualifications that provide a route to higher education as well as preparation for employment;
- enhanced standards in vocational qualifications;
- a stronger partnership between education and employers;
- colleges that are free to respond flexibly and efficiently to students and employers; and
- more opportunities for the existing workforce to raise skill levels through education and training.

The Government proposed to transfer the funding of further education colleges from local to central government from 1st April 1993. Thus Colleges are, from 1st April 1993, corporate bodies able to employ staff and own land and buildings. The college funding mechanism is intended to reward effective and efficient colleges.

The baseline budget from 1st April 1993 and the public funds to be allocated to the colleges for each successive year are determined by the Secretary of State for Scotland in allocating the Public Expenditure Block. There are two main elements: recurrent and capital funding. The recurrent funding system seeks to achieve an appropriate balance between rewarding those colleges that perform better than others and achieving the financial stability necessary during a period of structural change.

The thrust of the legislative proposals was that colleges would 'incorporate', i.e. each college would be an independent legal entity free to own its own land and buildings, employ its own staff and operate under the provision of the Companies Acts but would remain part of the public sector.

These proposals represented the whole-scale embracing of the 'Doctrinal Components' of NPM for the purpose of radically changing the Scottish further education system. These fundamental changes required comprehensive performance measurement systems to allow the Scottish Office to take over all of the controls formerly exercised by the education authorities.

6. The Further and Higher Education (Scotland) Act 1992

This Act took effect on 1st April 1993 with two principal provisions affecting further education. First, the duty of providing adequate and efficient further education was transferred from local authorities to the Secretary of State for Scotland. Secondly, college management was reorganised. New Boards of Management have the responsibility for the management of each college, including strategic decision-making and financial, human resources and property management.

The Act applies initially to the 43 colleges operating with devolved powers under the Self Governing Schools, etc. (Scotland) Act (1989). The duty of providing adequate and efficient further education means that further education is funded directly by the Scottish Office. The Secretary of State has powers to establish new colleges, merge or close colleges, change their names or designate them institutions of higher education after consultation with education authorities and others affected by the proposal.

Grants are made to college Boards of Management by the Secretary of State in respect of expenditure incurred in connection with their functions of providing adequate and efficient further education.

Boards of Management comprise no less than 10 and no more than 16 members. The members include:

- the Principal of the college;
- persons elected by the teaching staff;
- persons elected by the non-teaching staff;
- persons elected by the students;
- employers (including a person nominated by the local enterprise company); and
- others with an interest in the work of the college.

Not less than half of the Board of Management must be employers. The Board of Management has a general duty of managing and conducting its college and ensuring that it provides suitable and efficient further education.

By 1st April 1993, the system of further education in Scotland had radically changed. Incorporated colleges have to be run very much like businesses. The SOED funds colleges and requires them to produce Development Plans and

Annual Reports. Attempts have been made to derive a formula for funding based on performance and assessed through PIs. At the level of individual managers within colleges, systems of accountable management are being developed which link the achievement of key objectives to the schemes of Staff Development and Appraisal. This 'business-like' approach, coupled with performance management, has altered the nature of management in further education. The Scottish further education system was by 1993 a clear example of the NPM in action embracing all seven 'Doctrinal Components' of NPM.

The SED have tried to support management development for these changes in several ways:

- through the provision of national seminars;
- through the provision of 'training packs' which are text based training materials;
- through specific grants to support staff development;
- through advisory support linked to the Scottish Further Education Unit and HM Inspectorate.

Section C: Consumerism, Quality and Responsiveness in Scottish FE

Introduction

This section considers the developing interest in consumerism in Scottish FE and in Part 1 looks at the key stakeholders are in Scottish further education. Part 2 examines quality and Part 3 responsiveness.

1. Stakeholder Analysis

The analysis of stakeholders is an essential prerequisite to the survey and interview programme in which the views of college stakeholders will be sought. There are great differences in the power of different stakeholders and the extent

to which they are informed of what to expect from Scottish further education. Particularly influential are the Scottish Education Department, Scottish Enterprise and the L.E.Cs., Employers, College Employers and Employees.

1.1 The Government and the Scottish Office

In the late nineteenth century it was felt that Scottish affairs needed more specialised attention than they could get from Ministries that had to look after the rest of the U.K. as well. In 1885, therefore, a special department was established to deal with Scottish affairs. It was headed by a Scottish Secretary, who was promoted to full ministerial rank in 1926 as Secretary of State for Scotland.

The Government as a stakeholder in Scottish further education is represented by the Secretary of State and his ministerial team. The Secretary of State carries out his duties through departments centred in Edinburgh. Together these are known as the Scottish Office and its main locations are St. Andrew's House and New St. Andrew's House in Edinburgh with an office in London at Dover House, Whitehall. The Secretary of State for Scotland is supported by the Scottish ministerial team and members of the Civil Service. In addition there are two Ministers responsible for the legal system in Scotland - the Lord Advocate and the Solicitor General for Scotland.

The Secretary of State for Scotland is required to produce for Parliament an annual report on further education. The first of these reports was published in 1994.

1.2 The Scottish Education Department

The SED was the government department that discharged the general responsibility to parliament of the Secretary of State for Scotland for the overall

control and development of education in Scotland. Specifically, the SED carried out the functions of the Secretary of State for Scotland as detailed in the Education (Scotland) Acts and the Further and Higher Education (Scotland) Act 1992.

With regard to further education the SED's functions included:-

- the formulation of general policy on further education;
- the funding of further education colleges through the Further Education Funding Council (FEFC) to make adequate provision for further education;
- the approval of capital projects which are funded by central government; and
- support to the system through its funding of SQA.

The SED was therefore a key stakeholder in the FE system.

1.3 Her Majesty's Inspector of Schools (HMI)

The Inspectorate exists as a distinct unit within the general framework of the SED. Under the Education (Scotland) Act 1962 the Secretary of State may require the Inspectorate to inspect schools and other educational establishments. The function of HM Inspectors is increasingly to serve as consultants and advisers.

In relation to further education, the HMIs have the responsibility for monitoring the performance of further education colleges and advising the Secretary of State for Scotland as required. They fulfil this role by:

- conducting periodic inspections of colleges and publishing reports on them;
- undertaking inspections of aspects of further education or subject areas across the system and publishing aspect reports and monitoring their effectiveness; and

- encouraging the development of college quality assurance systems and monitoring their effectiveness.

HMIs also play an active role in promoting educational development by initiating and participating in working groups, organising conferences and seminars (often using support agencies), and working with local groups. They have close links with all the major national organisations working in further education.

1.4 Representatives of the People

Representatives of the people must be considered as key stakeholders as they can influence important decision making at their level of representation. Representatives in Scotland are found at the following levels and are mainly elected:

local authority;

House of Commons

House of Lords

Scottish Parliament

European Parliament

There are also representatives on a range of governmental and non-governmental bodies who may be concerned with further education in Scotland.

1.5 The Convention of Scottish Local Authorities (COSLA)

Prior to local government reorganisation in 1975 there were four national local authority associations:

- the Counties of Cities Association;
- the Convention of Royal Burghs;
- the Association of County Councils; and

- the District Councils Association.

The Convention of Scottish Local Authorities was created during the reorganisation of local government in Scotland in 1975.

The primary object of the Convention is to promote the welfare and good government of the people of Scotland, and to enhance and maintain the principles and values of local democracy. It does so by finding out member authorities' opinions on local government issues and providing a forum where councils can debate and discuss these views. Such views can then be communicated to central government, other interested organisations and the general public.

Parliamentary legislation that affects councils is considered by the Convention and in many cases the actual bill that precedes legislation will have been the subject of consultation. Negotiations and consultations are undertaken and relationships built with other national bodies whose work affects local authorities or who look to local government for financial support.

The role of the Convention is particularly significant in the debate over levels of public expenditure, the structure of local government finance and the amount of Central Government grant payable to individual member councils. The Secretary of State for Scotland is required by statute to meet the Convention four times a year to discuss local government finance.

COSLA remains the only local authority association in Scotland following the 1996 local government re-organisation.

1.6 College Employers and their Association

The Association of Scottish Colleges has as its primary role the provision of information and advice to boards of management and college Strategic Management. The Association negotiates with employee organisations on terms and conditions of service and represents college employers' wider interests to the SED and other bodies.

Boards of Management have 10 to 16 members, including the Principal, an elected teaching and non-teaching staff member, and a student member nominated by the students' association of the college. At least half of the members of boards have experience of commerce or industry or a profession. One of the members is appointed by the local enterprise company for the college's area. The remaining members are persons having an interest in the work of the college.

1.7 Students

Colleges in Scotland provide education and training opportunities for over 200,000 people annually. The students are:-

- school leavers;
- adults in the community;
- overseas students; and
- people with disabilities or learning difficulties.

Colleges offer such a wide range of courses at all levels that there are opportunities to access higher education from further education as well as developing competence in particular occupational areas. Colleges have also become more responsive to the needs of the adult learner with 45% of all students being over 25 on part-time and full-time vocational further education.

1.8 College Employees and their Associations

Further education gross expenditure exceeds £200 million per annum and 75% of the expenditure is on staffing costs. Staff are the prime resource of the further education system. There is a high degree of unionisation amongst college employees and in addition many staff are members of professional bodies.

1.9 Scottish Enterprise and Highlands and Islands Enterprise

Scottish Enterprise and Highlands and Islands Enterprise aim to provide an integrated approach, in their respective areas, to enterprise, economic regeneration, and training and have assumed responsibility for the functions previously undertaken by the Training Agency, the Scottish Development Agency, and the Highlands and Islands Development Board.

Most enterprise activity at local level is undertaken by a network of 22 Local Enterprise Companies (LECs). These started their operations in 1991 and have since built up frameworks and systems for providing:

- better informed career choice;
- quality training for school leavers planning to enter employment;
- quality training for the unemployed, and people in employment;
- incentives for people to obtain qualifications; and
- enhanced partnerships between employers and education.

LECs are represented on the boards of management of all FE colleges. They are also important customers for colleges and are involved in funding colleges in many ways. LECs also liaise with colleges in relation to the operation of their own work based training programmes.

1.10 The Local Community

Members of the community have a vested interest in the activities of their local college and in any services and facilities that are available to the general public.

Further education colleges produce a summary of their development plans each year. This highlights their aims and how successful they have been in meeting objectives. An annual report setting out main activities and a financial statement is also produced.

1.11 Employers

Employers work with colleges in a number of ways. Some commission or buy research and training, some offer work placements for staff and students, some sponsor students and facilities. Many will recruit students once they have completed their course. Recent developments in the curriculum in Scotland encourage education providers and employers to collaborate in course development and work based assessment. Increasingly employers are represented on college governing bodies, where they contribute to the overall management of the institutions. Further education college boards of management are now required to include a Local Enterprise Company representative.

1.12 Scottish Qualifications Agency (SQA)

On 1 April 1997 the SQA replaced the Scottish Vocational Education Council (SCOTVEC) and the Scottish Examinations Board (SEB). SCOTVEC was set up in 1985 by the Secretary of State for Scotland through the merger of two existing bodies, the Scottish Technical Education Council (SCOTEC) and the Scottish Business Education Council (SCOTBEC). SCOTVEC is the national body in Scotland responsible for developing, awarding and accrediting vocational qualifications. These include National Certificate Modules, Higher National Certificates (HNCs) and Higher National Diplomas (HNDs), Scottish Vocational Qualifications (SVQs) and general SVQs (GSVQs), National Certificate Group Awards and Professional Development Awards.

SQA works in partnership with colleges and other training providers, with all sectors of industry and commerce, and with government to ensure that its qualifications are: relevant to the needs of employment; flexible enough to respond to change; and nationally and internationally recognised.

SQA works in co-operation with local authorities through their representative body, COSLA, the SED, the Employment Department, Scottish Enterprise and Highlands and Islands Enterprise. It has responsibility for the development and maintenance of a coherent system of competence based vocational qualifications.

2. Quality

2.1 Quality of Learning and Teaching Handbook (QLT) (1990)

The QLT Handbook (1990) was developed to support the use of the QLT Profile as a measure of college activity. The QLT Profile is built on two key elements:

- a framework of quality statements which serve as evaluation criteria; and
- a series of evaluation instruments designed to gather evidence in relation to the quality statements.

The quality features build on a definition of quality established by HM Inspectorate through inspection of FE colleges. The quality features are: reliance, access, responsiveness, appropriateness (of learning and teaching approaches), and standards. For each quality feature there are quality statements, 17 statements in total: three for reliance, three for access, three for responsiveness, three for appropriateness (of learning and teaching approaches), and two for standards.

Evaluation instruments were developed to gather evidence in relation to the quality statements. Ten evaluation instruments were suggested. The evaluation

of college performance in relation to any single quality statement draws on evidence from a range of evaluation instruments.

In Measuring Up a procedure for implementing QLT was suggested. The QLT Profile was devised to supplement other PIs by providing a more detailed analysis of quality issues and to offer colleges a flexible system of self-evaluation.

2.2 Scottish Quality Management Systems (SQMS) (1992)

Scottish Enterprise and Highlands and Islands Enterprise were formed in 1990 out of the integration of the Department of Employment Training Agency in Scotland with the Scottish Development Agency and the Highlands and Islands Development Board, respectively. These bodies were set up to promote economic development and environmental improvement in Scotland. In addition, 22 Local Enterprise Companies (LECs) were created. These are private companies that hold a contract with the core body (Scottish Enterprise or Highlands and Islands Enterprise) for the provision of economic development, training and environmental improvements in an area and controlled by a board of directors drawn from the private sector and the wider community. Scottish Enterprise and Highlands and Islands Enterprise initiated and founded the development of the SQMS to create a harmonised quality management framework for vocational education and training in Scotland.

SQMS is a composite of existing systems with currency in Scotland. It draws on and brings together quality criteria operated by Scottish Enterprise and Highlands and Islands Enterprise, Local Enterprise Companies, SCOTVEC and the SOED. It relates to the quality assurance interests and requirements of quality awards such as Investors in People (IIP). The SQMS is a comprehensive approach to

organisational quality and if coupled with the QLT Profile clearly addresses the quality of the further education provisions of a college.

2.3 Investors in People

Investors in People (IIP) is one of several approaches to quality. IIP is a major initiative instigated by the Department of Employment. It aims to help employers to improve their performance by linking the setting and communicating of business goals with the development of their employees to meet these objectives. It is underpinned by the National Standard for Effective Investment in People. This is a benchmark against which all organisations can measure their own commitment and effectiveness. The standard has four principles, which have sub divisions, and has assessment indicators that underpin each other and are a part of the whole. These provide the basis for determining whether or not the standard has been achieved (HEQC, 1994, p.63).

2.4 Other Approaches to Quality

BS5750/ISO 9000 is a general purpose standard to which a quality management system must conform, and against which it must be successfully assessed, if a system registration mark is sought. A BS5750 registration mark indicates that the systems that are described and documented by an organisation are adhered to (HEQC, 1994, pp. 63-64).

Total quality management(TQM) is the term used to describe the process and management of change, designed to realign the mission, culture and working practices to the pursuit of continued improved quality. A TQM culture is predicated upon a commitment to customers' needs, interests, requirement and expectations, and upon the commitment of everyone to the constant improvement of everything that an organisation does and provides for its customers.

3. Responsiveness

3.1 The Responsive College

In 1985, the Further Education Staff College (FESC) started to explore with the Manpower Services Commission (MSC) a possible action programme on 'The Responsive College'. The programme involved FESC staff leading field workers in a group of regional projects designed to promote enhanced responsiveness of colleges of further education to the training needs of industry and commerce.

The prototype was In search of excellence; lessons from America's best-run companies (Peters & Waterman, 1982), which identified eight attributes that appeared to characterise excellent, innovative companies.

The stimulus for the study was the White Paper Training for Jobs (DES/WO,1984) in which it is stated:

The public sector needs a greater incentive to relate the courses it provides more closely to the needs of the customer and in the most cost effective way.

The Responsive College Project (RCP) was managed from the Further Education Staff College and funded by the Manpower Services Commission. The RCP undertook work in 21 local authorities only one of which (Strathclyde) was in Scotland. The Project concerned the development, identification and replication of good marketing practice, conceived and carried out within the framework provided by the RCP model - a product cycle with four stages:

1. Market Research;
2. Product Development, Selling and Promotion;
3. Quality Control; and
4. After-Sales Service.

The over-all intention of the RCP was to involve clients more fully in identification and delivery of college courses and services. The key to this was information

and a central concern of the programme was the development of client-centred PIs, consistent with and complementary to those emerging elsewhere, particularly from the work of the Joint Efficiency Study viz. Managing Colleges Efficiently (DES/WO,1987).

Most colleges appeared to concentrate on inputs rather than on throughput, output, outcome and feedback analysis. There was an absence of internal quality control mechanisms and 'after-sales' follow-up thus depriving institutions of valuable information that could help to identify client needs in improving delivery.

As a result of the work undertaken in Strathclyde Regional Council a system was introduced which required college management to introduce systems that addressed:

- student satisfaction;
- student post-course destinations
- student drop-out rates;
- employer satisfaction survey; and
- student success in examinations.

The means of assessing college performance was through a range of PIs produced following surveys of students and employers coupled with internal management information (Times Educational Supplement (Scotland), 8.9.89 p.3).

This 'responsiveness' initiative was reflected elsewhere in Scotland but initiatives within education authorities were largely superseded by Measuring Up.

3.2 Fast Forward with Further Education (1990)

Scottish colleges began to be concerned with marketing activities following the Responsive College Project and in 1990 a national publication entitled Fast

Forward With Further Education (CAST, 1990) highlighted the advantages of using further education services to support education and training in Scotland. This publication was clearly a response to the White Paper Employment for the 1990s and specific mention is made of the need to develop a greater awareness of the importance of quality assurance and the effective marketing of their services to the varied clients of further education colleges.

4. The Further and Higher Education Charter for Scotland (1993)

The Scottish Office Further and Higher Education Charter for Scotland sets a framework for standards of service that students expect to receive from universities and colleges in Scotland as regards the provision of education and training. The Charter also clarifies what people can do if they are dissatisfied with the standard of service.

Universities and colleges are being encouraged to produce their own charters incorporating objectives, standards and performance targets set by the institutions themselves, following consultations with users.

The Charter identifies a number of key service areas for students and for employers and the community. In order to keep students informed, colleges and universities must comply with standards covering:

- choice of institutions;
- choice of course;
- how to apply;
- student services;
- financial support; and
- equal opportunities.

In order to comply with the Charter, colleges and universities must help to keep employers and the community informed.

In relation to further education colleges the Charter states:

Further education colleges produce a summary of their development plans each year. This highlights their aims and how successful they have been in meeting objectives. An annual report setting out main activities and a financial statement are also produced. These should be readily available from each college.

(The Scottish Office, 1993, p.19)

Section D: The Developing System of Performance Indicators

Introduction

This section examines the component elements in the systems of PIs found in Scottish further education. The main thrust is to consider the operational implications of the performance indicators recommended by the SED for college Strategic Management. In Part 1 the primary PIs are considered and in Part 2, secondary indicators and SED guidance. In Part 3 suites of PIs are discussed. In Part 4 there is a review of the performance indicator systems found in Scottish further education and an account of the PIs system currently operating in English further education.

1. Primary Performance Indicators in Scottish Further Education

H. M. Inspectorate of Schools carried out a task between 1987 and 1989 that resulted in findings providing the basis for the 1990 Report Measuring UP. This is the most important and comprehensive publication to date on PIs in Scottish further education as it provides clear guidance on the suite of PIs that colleges should utilise.

This section examines the implications of Measuring Up. The report identifies five primary indicators:

1. Student Success Ratio (subsequently developed into two indicators);
2. Post-Course Success Ratio;
3. Client Satisfaction;
4. Quality of Learning and Teaching Profile; and

5. Unit Costs Profile

Measuring Up (1990) defines an effective college as one that “achieves its aims and objectives”. The aims and objectives are related to the purpose of further education that is:

to identify and satisfy the educational and training needs arising from the aspirations of individuals and the needs of employers and the wider community.
(HMSO, 1990 p.3)

PIs, according to the report, have the overall purpose of aiding the effective and efficient management of a college.

1.1 Student Success Ratio

This is the proportion of enrolled students who obtain a worthwhile qualification and is a primary indicator because it is concerned with the central objective of most students. It is of benefit in that it provides information about the extent to which students attain desirable standards of performance but it will only be useful if there is in existence a mechanism for ensuring that standards have been properly defined and applied. Therefore, this indicator requires a system of defining quality standards and ensuring, through quality control and through assessment and review, that the standards have been effectively implemented.

This indicator was subsequently developed into two indicators, the Student Programme Achievement Ratio (SPAR) and the Student Achievement Ratio by Unit of Learning (SARU).

Success in attaining a worthwhile qualification is a valid objective for a student but the word worthwhile is the key. The qualification is the end result of an education and training process that attempts to deliver competency and underpinning

knowledge as its output in the form of competent, qualified students. A college cannot be viewed as effective if it is measured only by the number of students achieving qualifications. The qualification must be 'worthwhile' and that requires appropriate systems of curriculum management and quality management including internal and external quality control.

1.2 Post-course Success Ratio

This is the proportion of successful full-time students proceeding to employment or to the next level of education and is therefore concerned with one of the central purposes of further education, namely to meet the requirement of employers for competent employees, not to mention fulfilling the hopes of students that their education will lead to a job. It provides useful evaluative information about the relevance of course content and standards of student attainment.

Measuring Up qualifies the purpose of this indicator by recognising that good post-course success ratios do not mean that a course or programme need not be improved and by acknowledging the influence of the labour market on take-up rates. In other words one could have a poor course programme with excellent post-course success ratios and an excellent course with poor post-course success ratios. In the latter situation colleges would have to place a greater emphasis on supporting students in obtaining the appropriate progression. In the former situation the course or programme would have to be improved. There is a strong emphasis in this PI on those responsible for selection (employers or other education institutions) having detailed knowledge of the course or programme content. To what extent this is the case is questionable. More information on course or programme content would promote this greater awareness on the part of those responsible for selection.

1.3 Client Satisfaction

The term 'client' is explained as referring to both students and to other interested parties (or stakeholders) such as employers. This PI provides a direct indication of whether clients' requirements are being met by college provision. The scope of the investigation may be broad, in that information could be gathered from clients in the form of a questionnaire asking a series of questions on course content, access, responsiveness, teaching and the learning environment.

To be of maximum value this PI should consider existing and potential clients, their experiences, perceptions, attitudes and requirements of further education.

1.4 Quality of Learning and Teaching Profile

Two particular disadvantages of relying on the first three indicators alone were identified in Measuring Up:

- a) Student Success Ratio, Post-Course Success Ratio and Client Satisfaction provide feedback in relation to existing clients and not necessarily the whole market for the college.
- b) Some clients, particularly students, may be satisfied if a particular limited set of objectives is met. College staff may seek to provide a quality of service to a more demanding specification. Colleges may wish to be proactive, to lead and stimulate demand for better provision, rather than respond solely to current demand in a reactive mode.

The Q.L.T. Profile includes an evaluation of the quality of access and responsiveness to the needs of those who are not currently clients of the college. Because it combines client and professional judgements of quality, it assists the college both to respond to and to create demand. It has a particular focus on

enhancing the quality of provision. A publication entitled The Quality of Learning and Teaching Handbook, containing guidelines and resources for implementing Q.L.T. quality assurance and evaluation procedures, was produced as a companion to Measuring Up. The Q.L.T. Profile employs a range of means to gather information about the quality of programme design, curriculum development, teaching and learning, guidance and assessment. The Q.L.T. Profile is, according to the Q.L.T. Handbook: an aid to professional judgement and management and not a substitute for it (CAST, 1990 p.6).

Analysis of effective practice throughout Scottish colleges suggests that quality can be judged in terms of five key quality features:

1. the relevance of content to the needs of clients;
2. ease of access;
3. responsiveness to the needs of employers and students;
4. appropriateness of learning and teaching approaches; and
5. the attainment of satisfactory standards of performance of students

The five key quality features are defined in the form of qualitative statements. Each statement summarises an outcome of effective performance. The quality statements are intended to be starting points for colleges in their definition of quality provision or a checklist for comparison with existing definitions of quality. The quality statements represent an extremely high level of performance and therefore, according to the Q.L.T. Handbook, some of the quality statements will represent legitimate expectations of current practice while others may be objectives or aspirations for the future.

1.5 Unit Cost Profile

A Unit Cost Profile covers all cost headings, thus providing, according to Measuring Up, a firmer basis for resource allocation. The Unit Cost Profile is a more comprehensive analysis than the Student/Staff Ratio (SSR). Unit costing is a technique that distributes college costs in such a way as to enable a cost per student to be estimated for each course and module. Unit costs, according to Measuring Up, provide management with valuable information that will assist them to:

- analyse previous costs and monitor efficiency;
- predict costs to assist budgeting;
- analyse costs at the level of specific budget items, such as support staff costs per student;
- compare actual with target costs,
- compare provision and costs within and between colleges, (provided that the basis of comparison is valid and costs are not viewed in isolation from other indicators); and
- develop norm bands and weighting factors for cognate groups of courses and modules.

The SED advocated an efficient approach that uses a combination of allocation and apportionment. The process of allocation is one in which cost centres such as departments and sections are charged on the basis of direct consumption of a resource. Apportionment uses a formula to charge a cost centre on the basis of assumed consumption of a resource. The approach used should be one that employs allocation as far as possible and then apportions the remainder of costs fairly.

The SED suggested that there should be a process of:

- cost definition and classification;
- calculation of throughput (student hours or teaching hours);

- cost centre analysis;
- calculation of average cost for lecturers' hour and per student hour;
- unit cost calculations.

In this model, colleges can make their own decisions about which cost centres to use. Because unit costs can be used to inform planning and evaluation of aspects of college provision, the selection of cost centres should be related clearly to the management structure of the college. Unit costs can assist management in determining resource allocation and to evaluating efficiency.

It was the view of the SED that a flexible system by which colleges can 'build up' unit costs to course or department level is likely to be of most value to college management. A system of unit costs was devised based on subject groupings that are consistent with the groupings used in the funding methodology. Some enhancement will be required to college management information systems in order to allow this information to be calculated automatically. In the intervening period, to avoid an excessive burden on college finance and administrative staff, unit costs are being calculated on a college wide basis only. The SED is committed, with the support of colleges, to move towards complete formula funding. The unit costs information can also be used on occasion to pinpoint operations that are characterised by great efficiency (or the opposite).

While the focus of data gathering and analysis should primarily be on the needs of college management, SOED has a legitimate interest in unit costs information.
(SED 1990)

The paper goes on to say that comparability of provision between institutions would be a legitimate use of the unit costs information both for college management and for funding agencies.

Information on unit costs could be gathered annually and retrospectively. In addition to financial information, this would help colleges to monitor trends regularly, although reports to SED may only be required every three years.

2. Performance Indicators and the SED Guidance

Measuring Up (1990), Quality and Efficiency (1992) and On Target (1993) develop primary and secondary indicators for Scottish further education and describe a methodology for their use.

Subsequently, in 1994 the SED established a Joint Working Group on PIs in Further Education comprising representative from further education colleges, the SED and HM Inspectorate. This Section considers the output of the Joint Working Group in terms of the subsequent guidance issued to colleges in the form of Circulars (FE) 4/95 and 14/95.

2.1 Circulars (FE) 4/95 And (FE) 14/95 and Definitions

The Joint Working Group on PIs in Further Education was charged with the following remit:

To review current definitions of primary PIs relating to Student Programme Achievement Ratio (SPAR), Student Module Achievement Ratio (SMAR) and Post Course Success Ratio (PCSR);

To make recommendations to the SOED on both the standardisation of definitions of the PIs and advice to colleges regarding the definition, collection, analysis, use and publication of PIs.

Circular (FE) 4/95 is a consultation document on the recommended definitions of the PIs and the proposals relating to the publication of PIs

The Circular (FE) 4/95 proposes the following PI definitions:

Student Programme Achievement Ratio (SPAR)

$$\text{SPAR} = \frac{\text{No. of students attaining all units required for success in the programme}}{\text{No. of students satisfying an attendance criterion (25\%)}}$$

SPARs should be expressed as a % in all cases.

Student Achievement Ratio by Unit of Learning (SARU)

$$\text{SARU} = \frac{\text{No. of student units achieved}}{\text{No. of student units undertaken by enrolled students}}$$

Post Course Success Ratio (PCSR)

$$\text{PCSR} = \frac{\text{No. of students who gain employment or progress to more advanced education or training}}{\text{No. of successful students responding}}$$

The PI definitions recommended by the Joint Working Group and proposed in Circular (FE) 4/95 remained largely unchanged by Circular (FE) 14/95 and should therefore be used consistently throughout FE colleges in Scotland.

2.2 Circulars (FE) 4/95 and (FE) 14/95 and the Collection, Analysis and Use of Performance Indicators

The SPAR indicators according to Circular (FE) 4/95 should be compiled for individual programmes, embedded in course management procedures and analysed regularly by course teams. Colleges should also record low student retention ratios for use in conjunction with the SPAR indicator.

The SARU indicators should be gathered, collated and analysed annually, separately for each examining/awarding body by learning unit number and by SED subject group.

The PCSR indicators should be recorded at course level and combined with SPAR and Retention Rate Analyses. Colleges should incorporate PCSR into integrated reports and consider using these reports at cross-college level.

Respondents to the consultation circular (4/95) expressed concern that low values for SPAR could be due to a variety of factors outwith the direct control of the college. These included cases such as the financial hardship facing students and students leaving to take up employment. In Circular (FE) 14/95, the SED emphasised the need for care when using indicators in isolation and to consider PIs as signals rather than absolute measures. There was no modification in Circular (FE) 14/95 following the consultation exercise in respect of the SARU and PCSR indicators.

2.3 The Publication of Performance Indicators

The SED's approach to the publication of performance indicator information is two-fold: first, further education colleges will be required to publish performance indicator data on an individual college basis; secondly, the Secretary of State's Annual Report to Parliament will contain appropriate data on the performance of Scottish further education colleges.

The Joint Working Groups guidance on the publication of PIs is that the information to be published should include:

- SPAR values for whole college (summary);
- SPAR values and retention ratios for SOED subject groups with FE/HE split;
- SARU values for whole college (summary) with FE/HE split
- PCSR values for whole college (summary) and for SED subject groups with FE/HE split, giving raw numbers in each group;
- SPAR and PCSR values for individual programmes;
- SARU for cognate groups and other aggregations as required, e.g. for college sub-units.

In terms of the form of publication the Joint Working Group recommended that the college annual report should be developed as the main medium for publicising outcome information on an institutional basis. This annual report should use standard PI definitions and subsequently incorporate the appropriate national averages for comparison. In due course, the pattern for each indicator over a specified period should be included to allow trends to be identified and to overcome short-term variations. An aggregated version should be included in the Secretary of State's Annual Report to Parliament on the FE sector.

Colleges are additionally requested to publicise performance indicator information on student achievement and post-course success in a set of standard tables published in the college annual report due by the end of September, 1996 and reports thereafter. SPAR and PCSR (including response rate) values for individual programmes should be made available by colleges on request. SARU values for cognate groups or other aggregations are to be made available by colleges on request.

The SED recognised that PIs are primarily for colleges themselves as aids to self-evaluation and improvement. However, the SED considered that college performance indicator information should be made available as widely as possible to inform sector-wide evaluation, and believes its guidance as contained in Circular (FE) 14/95 will make an important contribution to the wider dissemination of information.

2.4 Key Performance Indicators

From the initial five indicators identified in Measuring Up (1990), the SED developed its guidance to focus in on three key indicators:

- Student Programme Achievement Ratio (SPAR);
- Student Achievement Ratio by Unit of Learning (SARU); and

- Post Course Success Ratio (PCSR)

These indicators would be supplemented where appropriate by other indicators of performance. All the above indicators clearly focus on the end results of the college activity and can be classified as intermediate outputs (SARU), outputs (SPAR) and outcomes (PCSR).

3. Suites of Performance Indicators

PIs can assist college management in determining the extent to which college development plans are being successfully implemented. They also assist in highlighting problems and in the identification of solutions. The key SED indicators (SPAR, SARU and PCSR) were discussed in the previous section. This section describes the other indicators which are utilised in colleges of further education and which can, in combination with the key indicators, constitute a suite of PIs for Scottish further education.

3.1 Defining Other Indicators

In addition to SPAR, SARU and PCSR there are six other indicators likely to be used by further education colleges in their suite of PIs. These other indicators are:

- Client Satisfaction (CS) is obtained from client surveys and is an indicator of outcome;
- Quality of Learning and Teaching Profile (QLT) is a comprehensive indicator of process and is discussed in further detail in Part 2 of this section;
- Unit Costs Profile (UCP) is an efficiency indicator focusing on the analysis of various inputs to outputs ratios.

- Utilisation of Teaching Accommodation (UTA) is an efficiency indicator focusing on room occupancy rates;
- Staff Student Ratios (SSR) are ratios of resources utilised in relation to clients.
- Student Retention Ratios (SRR) are ratios relating to the student experience and desire to remain on their class programme.

4. Implementation of the Performance Indicators System

In this part, the post - Measuring Up PI system is considered. The analysis is based on the suggestions made in Measuring Up on how to implement a system of PIs.

Three key areas were identified:

1. establishing computerised management information systems;
2. refining specifications for PIs; and
4. developing the use of PIs in the management context.
- 5.

Further developments in the system were discussed in the publications Quality and Efficiency and On Target. Each will be considered in detail along with the speech entitled 'Mission and Vision' by Lord James Douglas-Hamilton MP, former Minister for Education. Collectively these publications go beyond suggestions of possible indicators to give guidance on how PIs should be implemented in Scottish further education.

4.1 Computerised MIS

In Measuring Up there is a clear statement on the desirability of all FE colleges employing a common definition when using PIs such as Student Success Ratio, Unit Costs Profile and Student/Academic Staff Ratio. Minimum data requirements to support calculations of PIs are identified under the following headings:

- Student Records

- Staff Records
- Course Records
- Examination Records
- Employer Records
- Accommodation Records
- Timetable Records
- Financial Management Records
- Building and Equipment Inventor

4.2 Using Performance Indicators for Planning Quality Assurance

According to Measuring Up, PIs should provide a basis for quality assurance, i.e. the planning of quality standards to be achieved (a pre-control process), rather than merely for quality control that is the monitoring of quality achieved (a concurrent and post-control process). PIs should be used to inform the planning process at all levels, clarifying the targets for college activity, including quality improvements. Unit costs should support resource allocation, replacing historical budgeting with curriculum-led resourcing. PIs should provide a focus for involvement of staff in academic planning. Staff motivation could result from the setting of clear, agreed targets for their work. PIs should also assist on-going monitoring for detecting problems. PIs provide the basis for evaluation both to fulfil the demands of accountability and to inform discussion on how provision may be improved.

4.3 Using PIs

The mechanics of a performance indicator system are outlined in the Further Education Unit's publication Towards an Education Audit (1989):

1. establish why measurement is being made;
2. establish who will carry out measurement/analysis;
3. establish what data will be collected;
4. establish how those data will be collected;
5. establish what standards of performance will be regarded as acceptable,
6. and tolerances;
7. ensure that the exercise is adequately resourced;
8. inform all involved as to purpose and nature of exercise;
9. collect data;
10. analyse data;
11. identify instances where performance does not match the required standard;

12.report.

Particularly key stages are (1) and (5) where value judgements are made. The standards against which performance will be set must be generally agreed and shared. A P.I. system can uncover situations where performance does not meet the required standard. The reporting of sub-standard performance should lead to further investigation leading in turn to action aimed at improvement. A P.I. system can also highlight situations where performance is greater than or equal to the desired standard, and in this situation reporting is also essential to build on the factors that lead to this level of performance (UDACE, 1989, pp 6-8).

4.4 Mission and Vision

In a speech entitled 'Mission and Vision', Lord James Douglas-Hamilton MP former Minister for Education, outlined key aims for further education in Scotland as follows:

- Raising standards and widening participation; and
- Improving Efficiency.

Under the "Improving Efficiency" heading he stated:

Efficiency is the key to increased participation and wider access; Improvements in efficiency allow available resources to be employed to better effect; Measures of efficiency in education are now available. We will expect these to be used.

On quality, Lord James Douglas Hamilton MP had this to say:

There have been other influences on colleges in respect of quality development such as the five key PIs published by the Inspectorate in Measuring Up.....

We intend that the five PIs published in the Inspectorate Report Measuring Up should provide the basis for that (quality) and we will want to monitor their use.

As part of the funding arrangement he indicated that colleges would have to submit annual Corporate Plans including objectives and performance targets and details of the programmes and courses the college intended to offer and to develop. The plans would incorporate a clear assessment of the college's performance against the

stated objectives and targets based on regular and systematic review and evaluation of the various programmes and courses offered.

4.5 Quality and Efficiency

The publication Quality and Efficiency (1992) identifies the 'mission' of further education in Scotland and specifies the following goals:

- to develop a more highly trained and qualified workforce;
- to raise the educational attainment levels of 16-18 year olds;
- to contribute towards the expansion of the higher education system;
- to contribute to the development of a system of continuing education;
- to improve efficiency;
- to maintain and enhance quality.

Quality and efficiency are equally important:

In order to create the right climate for growth and development the pressure and incentives to achieve quality should equal those encouraging efficiency. (SED 1992)

In Quality and Efficiency there is a suggested system for the use of PIs. Thus Student Achievement Ratio (SAR) should be calculated each year. The Post-Course Success Ratio should also be determined annually for each programme. There should be an annual evaluation of client satisfaction. The cost per student and cost per successful student should be calculated each year for each programme, the results should be used to provide a brief analysis of the efficiency of programme delivery.

Further analysis, using the QLT Profile, should focus on annual programme reviews and involve an element of external evaluation. Colleges have been given more autonomy but this is within a clear framework of public accountability. Colleges should become still more efficient, but not at the expense of quality.

4.6 On Target

The publication On Target (1993) focuses solely on the use of PIs in colleges of further education. The conclusions in On Target are based on an exercise carried out in four colleges in session 1991-92 and seek to develop a methodology for: using PIs in combination;

- exploring how evaluations can be applied as a tool for decision making;
- exploring the usefulness of inter college comparisons; and
- evaluating the effectiveness and efficiency of the methodology.

The conclusion to On Target supports a particular methodology for using PIs in combination to evaluate college programmes. The evaluations using PIs could profitably be used as a tool for analysis and decision-making. College staff in On Target found inter-college comparisons interesting but only of limited use. Inter-college comparisons would, however, be of interest to students, potential students, employers and the S.O.E.D. The methodology used was both effective and efficient. This is the first point in the development of the PI system that college managers were involved in the process and even then they were piloting a system developed without their input to a consultation process.

4.6 Performance Indicators in England

Another key influence on the development of PIs in Scottish further education is the developing system of PIs in further education in England. A range of possible PIs was developed during 1993-94, drawing on advice from a development group comprising college principals and representatives of other interested parties including the Department for Education (DFE), the Employment Department and training and enterprise councils (TECs). The Further Education Funding Council's PIs and management statistics group provided detailed technical advice. Colleges

were consulted on the proposed PIs in May 1994 in FEFC Circular 94/12. Following the consultation, the FEFC published adopted indicators for the period up to 1995-96. The key indicators are set out below:

P1 1 Achievement of funding target (effectiveness)

P1 2 Student enrolment trends (responsiveness)

P1 3 Student continuation (effectiveness)

P1 4 Learning goals and qualifications (outputs)

P1 5 Attainment of NVQs or equivalent (outputs)

P1 6 Average level of funding (value for money)

There are certainly differences between the Scottish and English indicators both in their content and their purpose and the English indicators are broader in their focus in that they are concerned with college funding and its contribution to national (NVQ) targets. In Scotland the indicators tend to consider a college separate from its role as a provider of further education on behalf of the Government.

In England the PIs emanated from the deliberations of a development group on which college principals and other senior managers were represented. This is in contrast to development in Scotland where the PI system has evolved from developments dating from 1985 that had little or no real involvement by practising FE managers. It was not until the establishment of the Joint Working Group on PIs in Further Education in June 1994 that practising FE managers became involved in a meaningful way.

Section E: Recent Changes in Performance Indicators, Funding and the Management of Further Education

Introduction

In this section recent changes in further education will be reviewed under three headings. Part 1 will consider developments in the system of performance governance. Part 2 will look at performance management and Part 3 examines consumerism, quality and responsiveness.

1. Performance Governance

1.1 Spending Review

In July 1998, as a result of the Government's Comprehensive Spending Review, Ministers announced additional funding for the further education sector. The sector is to receive a total of £214 million of extra resources over the financial years 1999-2000, 2000-2001, and 2001-2002. The allocation of resources will be targeted to support Government objectives for the sector. Funding in the first year of the Comprehensive Spending Review (CSR) period, 1999-2000, is increasing by £40 million over 1998-99, or over 10% in real terms.

1.2 Scottish Further Education Funding Council

In February 1998, the Government accepted the Garrick Committee's recommendation that there should be two separate funding councils in Scotland, one for further education and one for higher education but with a degree of common membership and supported by a single staffing structure. However, the Committee's recommendation that the funding responsibilities of each council should be split in accordance with the type of education being provided was rejected. Instead, the Government decided that the new Council (SFEFC) would have funding responsibility for all education, including higher education, provided by the further education colleges and that the existing Scottish Higher education

Funding Council (SFEFC) would continue to be responsible for the funding of all education provided by higher education institutions. The SFEFC was established on 1 January 1999 with the responsibility for fulfilling the statutory duty to secure adequate and efficient provision of further education in Scotland. The main functions of the SFEFC will be the funding of further education in Scotland, monitoring the financial health of the sector, promoting innovation, offering guidance to further education colleges and advising Ministers on matters related to further education. SFEFC will also be involved in the strategic development of the FE sector and in promoting high quality and cost effective further and higher education within the colleges, in accordance with Government policies.

1.3 Strategic Framework

The central themes of the Strategic Framework are to widen access and to improve co-ordination and collaboration between colleges. In terms of widening access, colleges are expected to identify and reach out to under-represented sections of the community, improving accessibility, and developing provision and support arrangements that would attract students, be relevant to their needs and the needs of employers, and improve rates of retention. Under the heading of co-ordination and collaboration, Ministers want colleges to improve standards of management and governance and collaborate more, both with each other and with other sectors. A commitment to improving standards and quality would also be integral to the Framework.

1.4 Funding

The 43 incorporated colleges were allocated a total of £231 million in grant-in-aid for 1998-99. Colleges are funded, in the main on the basis of their share of student activity in the sector. Activity is measured in Student Units of Measurement (SUMs) that represent approximately 40 hours of study. The SUMs attract weighting factors to create weighted SUMs and the weights reflect

the different costs associated with the provision of different courses. Grant-in-aid allocations for 1998-99 were calculated on the level of student activity achieved in 1996-97.

2. Performance Management

2.1 Staffing

In 1997-98 there were 6,461 full-time equivalent teaching staff in the 43 incorporated FE colleges. In total 5,004 teaching staff were employed on a full-time basis and 7,687 on a part-time basis. There was a total of 5,143 full-time equivalent staff employed in non-teaching roles.

2.2 Management Development

In its response to the Dearing and Garrick reports of 1997, the Government committed itself to a review of the arrangements across the sector for the training and development of senior managers in colleges. In early 1998, the Scottish Further Education Unit (SFEU) was commissioned to undertake this review on behalf of the Scottish Education Department. The report was published in 2000.

2.3 Management and Governance

College Boards of Management have responsibility for the strategic management of matters such as educational direction, the estate, personnel and finance. Colleges are encouraged to adopt fully the 1997 recommendations contained in reports on matters of management and governance from MVA Consultancy and the National Audit Office (NAO), together with guidance issued by the Association of Scottish Colleges.

A major review of the management of FE colleges was conducted by the SFEFC and its remit was to:

- Assess the effectiveness of current management of colleges;

- Identify what range and mix of management skills, structures, systems and processes would best serve colleges;
- Suggest how the management performance of colleges might be measured and monitored;
- Make recommendations as to how best management practice can become the norm and how shortcomings can be identified early and addressed.

The Report was published in 2000.

2.4 Development Planning

Colleges are to be encouraged to provide a slimmer, strategic plan, covering the key elements: policy and the market context, performance review, strategic objectives for the planning period, and a statement on governance, management and quality assurance. The strategic plan should be supported by operational plans for internal use. The single most common weakness in college development planning is insufficiently rigorous use of performance indicators to identify weaknesses in corporate performance and areas for urgent improvement.

3. Consumerism, Quality and Responsiveness

3.1 Quality Assessment

Following sector-wide consultation, a new model of quality assessment and improvement was introduced by HMI in 1997, based on self-evaluation by colleges, verified by HMI through independent inspection on a 5-yearly cycle.

All colleges providing vocational training for their local enterprise company are obliged to meet the SQMS standards.

3.2 Quality and the Strategic Framework

The Governments Strategic Framework for Further Education identifies the overarching themes of access, collaboration and excellence. Quality permeates the Framework and colleges are encouraged to aspire to the standards of the best by planning and measuring progress in pursuit of excellence through

challenging but achievable targets, performance measures, self-evaluation and quality assurance. Standards and targets are identified as means to an end and not an end in themselves. Colleges as part of the Strategic Framework are encouraged to promote continual and demonstrable improvement across the board in performance and in the quality of provision across the sector. All stakeholders have a part to play in this enhancement process.

3.3 A Vision for Further Education

The Strategic Framework sets out a vision statement for further education as follows:

Scotland further education sector in the new millennium should form an accessible network of colleges, local learning centres, support agencies and flexible outreach arrangements, enabling people from every section of the community to pursue lifelong learning for both vocational and personal development. The sector should be distinguished by the highest standards of governance, management, teaching and administration, and by effective collaboration among colleges and between colleges and other agencies involved in lifelong learning.

The Strategic Framework supports the educational principle of ready access for all to the opportunity of lifelong learning thus requiring further education to be responsive to the demands of a lifelong learning society.

4. PI Research Commissioned by the SFEFC

The Scottish Further Education Unit was commissioned in 1999 to conduct a study of benchmarking and performance indicators in Scottish further education. The findings of the study (SFEU 2000), demonstrate that there are problems of reliability and validity in collecting and using performance indicators. Differing interpretations of the prescribed performance indicators are evident within FE institutions, across institutions and across years. The SFEU conclude that this is, to a great extent, a result of poor guidance and support. Performance indicator information is not soundly embedded in a clear theoretical model of quality.

Simple performance indicators need to be made more robust through clearer guidance and staff training. Additional indicators need to be developed to reflect the diversity of Scottish FE colleges and their educational provision.

Chapter Conclusion and Research Focus

This chapter has moved from the general management of further education to the specific consideration of the PIs system. There is little doubt that the period from 1979 has resulted in radical changes in the management of Scottish further education and the period from the mid 1980s has seen the growth of a comprehensive system of PIs. Scottish further education, like most areas of public management, was subjected to a series of changes in the 1980s and 1990s collectively termed New Public Management (NPM). Incorporated colleges and prescribed suites of performance indicators are essential elements of NPM.

The initial concern of Government was with economy and efficiency and this concern still remains but there is developing interest in effectiveness as measured by considering college throughput, output and outcomes. Government publications advocate a particular approach using the processes outlined in Measuring Up and developed in On Target.

In the 1990s there has been an increasing interest in quality and responsiveness and this is reflected in the development of the QLT Profile, SQMS and the Further and Higher Education Charter for Scotland.

PIs in Scottish further education would appear to serve many purposes by facilitating the measurement of college performance under such headings including as:

- economy;

- efficiency;
- value for money;
- effectiveness;
- responsiveness;
- quality;
- output;
- outcome;
- consumerism;
- access; and
- equality.

Alastair Wetherston, Under Secretary, Scottish Office Education Department, said in 1989:

An overriding requirement on colleges nowadays is that they should offer 'value for money'. Where courses are specially laid on for industry and commerce clear market forces operate; customers will not come back unless colleges offer a quality product that represents value for money. In other cases the provider/client relationship may be less clear, but those who provide funds whether they be community charge payers, Government agencies, employers or the students themselves have a right to know that they are getting their money's worth. This is where PIs come in. (SSFE 1989 p.6)

Wetherston goes on to say:

The overall aim of the new legalisation and the various training initiatives in hand is to create a fully responsive and effective FE system that will cater for a diverse range of customers in the 1990s and beyond. (SSFE, 1989 pp 8-9)

At a seminar in 1989 for college principals, members of the further education directorate and chairs of college councils, papers were presented by convenors of working groups set up by the S.E.D. One principal (D. Baker, Bell College) noted the growing uncertainty being experienced by college principals as 'value for money' seemed to be confused with the desire to 'cut costs at all costs'. He further emphasised the need for care in matters of resources by citing Ruskin: 'There's nothing that can't be made a little worse and sold a little cheaper'.

Other principals in a general discussion that followed (at which I was present) shared this concern and their concerns are summarised in the seminar proceedings.

The syndicate discussing management roles at various levels expressed a further concern. The members of this syndicate recognised that more staff at college level had to take on managerial roles without the appropriate management development for these roles.

The syndicate that most directly addressed PIs was Group (e): Resources Organisation. The syndicate discussed which PIs to use and how they should be calculated. Less concern was expressed about quantitative indicators as it was felt that they could be calculated given certain common criteria and common methods of calculation. The principals agreed that there should be agreed national standards for Scotland specifying which PIs should be used and how they should be calculated. On the quality issue the idea of using PIs such as course completion as proxies for success was raised but some concern was expressed that this was over simplistic. If the use of PIs to measure quality is continually accompanied by qualifying statements, this could destroy the usefulness of the indicator. The principals were concerned about situations where targets were not achieved, stressing the need for negotiation.

This seminar was a follow-up to five working parties of college principals, set up in early 1988, to develop ideas on aspects of college management. The working party on Resources Organisation identified as an issue the matter of greater accountability:

The increased college autonomy will be balanced by increased accountability. Colleges will be expected to control their use of resources more systematically and vigorously than they have in the past. They will

have information systems, so that matters affecting the college can be dealt with quickly and decisively.
(SSFE, 1989 Issues pp1-16)

The working party was clear that there had to be a system of monitoring the use of resources and PIs were considered to be a way of doing this. The working party recognised the importance of both efficiency and effectiveness.

The principals as a whole were concerned about the viability of colleges operating in the changing environment of Scottish further education. They were concerned about resourcing and appropriate management development.

The overall impression gained from contact with college managers was that most were committed to college incorporation as it gave them much more autonomy to manage the college as they saw fit. They recognised the responsibility, administrative and budgetary implications but believed that they could succeed in the newly created market place of Scottish further education.

Formal communications in the form of published reports began in 1989 with the QLT Handbook, followed by Measuring Up (1990), Quality and Efficiency (1992) and On Target (1993). Collectively they represent the prime means of communicating the views of Government and HM Inspectorate on PIs in further education. Some piloting took place in 1991 and 1992 as described in On Target (1993) but the piloting was of a system already well prescribed in Measuring Up (1990) and Quality and Efficiency (1992). Elsewhere in UK further and higher education there has been much more meaningful consultation and active participation in the development of PI systems. Only in 1994 with the establishment of the Joint Working Group on PIs in Further Education did representatives of further education colleges become part of the decision-making process on PIs.

The empirical research in Chapters V and VI will explore the implications of 'Public Choice Theory' and the NPM for Scottish further education stakeholders. Performance indicators are considered as an essential feature of NPM and this study will focus on stakeholder perceptions of performance indicators within the context of a fundamentally changed public service.

In the 1980s there was limited communication between further education policy makers (The Scottish Office and Westminster) and the implementers (education authorities and colleges). The results of this lack of consultation and participation are researched in this study. As a consequence of top-down policy initiatives with limited timescales for implementation, there were few management development opportunities to prepare college senior managers for the changes resulting from the introduction of PIs in Scottish further education. There has been limited facilitation and support and in the post incorporation period, the education authorities have no locus to support colleges of further education in managing change. The SED publications emphasise the positive aspects of PIs saying nothing about the potential difficulties of managing a PI system.

From 1994 there appears to have been a change of direction on the part of the SOED and HM Inspectorate with more opportunity for participation and consultation. However, college senior managers may perceive that these movements represent too little, too late as the system has largely been developed by others for implementation by them thus they may not feel a sense of ownership of the system and will be less committed to its successful implementation.

The Strategic Framework for Further Education (1999) establishes a vision for further education provision in the new millennium. The Strategic Framework identifies a number of key themes including: wider access to lifelong learning; accessible provision; vocational and personal development; the highest standards of

governance and management; and effective collaboration among colleges; colleges and other agencies. Performance indicators remain central to the implementation of the Strategic Framework.

The Research Focus

The focus of this research is to consider the role of the performance indicators system in Scottish further education in the light of the literature on performance indicators and to further consider the role of performance indicators in the NPM.

The fundamental questions being addressed are:

What, if anything, does the NPM model tell us about the implementation of performance indicators in Scottish further education?

And

What, if anything, does the implementation of performance indicators in Scottish further education tell us about NPM?

It is the latter question that is directly linked to the implementation of performance indicators and to the perceptions of further education stakeholders.

In order to address these questions empirical data is generated from stakeholders in the Scottish further education system through interviews, surveys, case studies and focus groups. This data is presented in Chapters V and VI.

CHAPTER V

STRATEGIC MANAGEMENT SURVEY AND INTERVIEW PROGRAMME

Introduction

In this chapter the first set of empirical data is analysed derived from further education senior managers. The research incorporates a survey, an interview programme and a reflective attitude matrix (RAM). This latter research method has been developed for the purpose of this study and is fully explained in the Methodology section of this thesis. This chapter is sub-divided to reflect these empirical research components. Sections A-D address the four principal survey components and their respective interview elements. Section E considers differences between respondents and Section F looks and particular comments on performance indicators, managerialism, the PI systems implementation and the Reflective Attitude Matrix.

The Survey Questionnaire (see Appendix A) was sub-divided into four matrices (A-D), focusing on different aspects of PIs in Scottish further education as follows:

- Matrix A - Purposes of PIs
- Matrix B - Beneficiaries of PIs
- Matrix C - Acceptability of PIs
- Matrix D - The PIs System's Implementation

In Matrices A-C nine PIs were used for each statement thus allowing the respondents to differentiate their response to each.

Conclusions were derived from a statistical analysis of the responses to each statement, taking into account the distribution of responses from the 40 respondents. Each statement required a numerical response by entering a number between 0 and 5 corresponding to the following views:

- 0 - Don't Know
- 1 - Strongly Disagree
- 2 - Disagree
- 3 - Neither Disagree nor Agree
- 4 - Agree
- 5 - Strongly Agree

The response "Neither Disagree nor Agree" was intended to be used by those respondents who reported a view describing an intensity of attitude that was neither negative nor positive. The scoring of a 3 therefore corresponded to a neutral response.

Twenty interviews were conducted with practising college senior managers. The interviews focused on performance and managerialism in Scottish further education. This section of the chapter considers the first part of the Interview Programme, the comments on the Survey conclusions. The interviewees were all volunteers, generally at assistant principal level and above and employed at colleges in various parts of mainland Scotland. There was at least one interviewee from each of the nine former mainland education authorities.

Section A: Matrix A The Purposes of Performance Indicators

1. The Survey

This matrix considers the views of college senior managers on the purposes of PIs by presenting twelve statements on potential purposes of PIs. College senior managers were asked to express their views in relation to each statement for each of the nine indicators preferred by the Scottish Office Education Department.

Indicators of output (SPAR), indicators of outcome (PCSR) and indicators of process e.g. (QLT) can all clarify college objectives. College managers believe that indicators of output (SARU) and indicators of process (QLT and SRR) assist the evaluation of outcomes but they also recognise the contribution made by indicators of efficiency e.g. (UCP). Comparisons can be made between colleges utilising standard definitions of SARU, QLT, CS, UCP and SRR indicators. There was a particularly strong level of agreement (as indicated by the Mode) that the Client Satisfaction (CS) and Utilisation of Teaching Accommodation (UTA) indicators could be used for comparisons within a college. Comparisons can be made over time by using the Utilisation of Teaching Accommodation (UTA) indicator. The Student Retention Ratio (SRR) promotes quality and the Post Course Success Ratio (PCSR) informs choices by clients. The Unit Cost Profile (UCP) does not inform choices by clients (as illustrated by the Mode). The Student Programme Achievement Ratio (SPAR) assists external planning, funding and control. The Post Course Success Ratio (PCSR) and the Student Retention Ratio (SRR) assist internal planning, funding and control. The indicators SPAR, SARU, QLT and UCP are all cost -effective to use. The Unit Costs Profile (UCP) and the Utilisation of Teaching Accommodation (UTA)

indicators act as diagnostic aids, identifying problems and indicating the action required.

It would appear from the survey that eight of the nine recommended indicators serve a purpose for college senior managers. The Staff/Student Ratio (SSR) was the only indicator that was not considered to serve a particular purpose. Indicators of output and effectiveness clearly have a purpose in a suite of PIs but indicators of efficiency also have an important role to play in a PIs system.

College senior managers recognise the value of most types of performance indicator in that they serve useful purposes in the context of the management of Scottish further education.

The interview programme will further explore these findings.

2. Matrix A Interviews: The Purposes of Performance Indicators

The results of the Survey showed that PIs are multi-purpose and can be used both internally by college management and externally by other stakeholders.

The interviewees all agreed that PIs serve a multiplicity of purposes and can help to clarify college objectives. PIs can provide information on inputs, process, outputs, outcomes, efficiency, effectiveness, quality and value for money. All PIs, with the exception of the Staff/Student Ratio (SSR) serve a purpose according to the interviewees.

The Interview Programme confirmed that a suite of PIs provides an essential component of a college management information system to meet internal and external information demands. Indicators are used at different frequencies to provide information on aspects of college performance. At this point they are primarily used for post-control purposes although, at sub-divisional level within colleges, teams are developing ways of using PIs as concurrent controls to inform ongoing managerial action. Little use is made of them for planning purposes (pre-control). Some managers interviewed are moving toward incorporating particular target PIs to their development plans such as the Student Retention Ratio (SRR).

Some indicators are clearly more useful than others, the most useful being the Student Retention Ratio (SRR) and the least useful the Utilisation of Teaching Accommodation (UTA) and the Staff/Student Ratio (SSR) indicators. The PIs that focus on process, output and outcome all help to clarify college objectives.

There is much less consensus over measures of efficiency such as the Unit Costs Profile (UCP) but interviewees commented that, although the methodology of calculating some costs is complex, college senior managers are making more and more use of unit costs. When funding is scarce college managers have to recognise activity that is and is not cost effective. PIs help in this task.

The use of PIs for comparative purposes by stakeholder groups, particularly the SOEID and the HMI, was unanimously condemned by the interviewees. PI information, as far as the interviewees are concerned, is raw data that has to be further analysed before conclusions are derived from it. If comparative PIs on FE

colleges are published stakeholders may misinterpret them. The central concern of college senior managers is that often like is not being compared with like and any conclusions derived are therefore invalid.

Several of the interviewees commented on the use of performance indicator data by private companies who market comparative PI information throughout the FE sector. A college subscribing to this service receives monthly summaries of comparative PIs. Those who subscribe found this a useful service, as managers who understand that the raw data provided use it by such summaries needs to be refined before being used for decision-making. Such comparative data should not be used by the SOEID and they serve a useful purpose for college managers only.

The idea that PIs in the form of league tables are market place surrogates in further education was dismissed by the vast majority of interviewees as they do not believe that clients make use of the PI data to decide which college to use, since many clients do not have a choice due to limits on travel and programme availability. Most interviewees, when probed, conceded that if two colleges offered the same programme and were geographically reasonably close then the PI data could be used for programme selection decisions by clients. Further education is different from higher education in that the vast majority of students seek access to programmes at a college that is close to their home address, although some colleges have wider catchment areas for particular programmes.

Comparisons within a college, between different programmes, cognate areas and over time, are much more useful to college managers than comparisons with other

colleges. Internal comparisons are much more likely to lead to managerial action to correct deviations from expected standards of performance and to lead to further investigative action.

The terms 'cost effectiveness' and 'value for money' are generally used to focus on the results achieved for the resources employed and are therefore more about efficiency than effectiveness. College senior managers prefer the Student Retention Ratio (SRR) as an indicator of college well-being as it is likely to be a product of a combination of quality in learning and teaching, good results and good employment prospects for students achieving particular qualifications. This multi-factorial indicator, when disaggregated by programme and by cognate group, is seen as providing a wealth of information on which to base college managerial decisions.

The Post-Course Success Ratio (PCSR) is viewed as a useful indicator of the outcome of college activity but one that is often largely outwith the control of college managers. An excellent course can result in very good retention rates and good results but can nevertheless result in a poor PCSR. This would occur where the course was well delivered, the students were able and willing to learn but the employment prospects in this particular curriculum area were poor. The power to stimulate the economy to create demand for qualified labour is external to the college and a poor PCSR should, according to the interviewees, not be used to assess the performance of a college programme.

Efficiency indicators, according to the interviewees, have been developed for accountability to the SOEID and HMI, although a majority of interviewees found

them to be more and more essential for internal managerial decision making, especially where a college has had to face resourcing difficulties as a result of funding changes. The college manager has to be, according to the interviewees, more 'business-like' to manage in the post-incorporation further education environment. College senior managers, according to one interviewee, are now engaged in 'the business of further education'.

There is little doubt from the responses to my questioning, that there was initial resentment in relation to the external uses of PI information by funding bodies but, in the changing environment of FE, there is a growing need to be 'business-like' and this requires college managers to make use of all of the PI information for internal decision-making. They could still do without the external demands for information and would much prefer to be accountable on the basis of the extent to which they have met their own objectives as stated in their approved development plan.

Interviewees were divided on the extent to which they welcomed college incorporation and the need to run a college like a business. A substantial majority (15) said they enjoyed the autonomy incorporation has brought but this was qualified by some (11) of those in the majority who are concerned that with this autonomy comes less security for them and college staff. There are no education authority budgets to fall back on in the event of funding difficulties. College managers have to ensure that the college programmes survive and for many this is not desirable as it represents too radical a change from the values and ethos of local authority further education. PIs have played a key role in bringing about such changes through their focus on quantifiable measures of college performance.

Section B: Matrix B: The Beneficiaries of Performance Indicators

1. The Survey

This matrix considers the views of college senior managers on the beneficiaries of PIs by presenting ten statements on various stakeholders. College senior managers were asked to respond to each statement in relation to each of the nine indicators preferred by the Scottish Office Education Department.

College senior managers (strategic managers) did not see themselves as mainly benefiting from any performance indicator, in other words PIs were for the benefit of other stakeholders.

All of the indicators with the exception of the Staff Student Ratio (SSR) were perceived as being beneficial to one or more stakeholders. The indicator of benefit to most stakeholders was the Student Retention Ratio (SRR) that benefited four stakeholder groups. The Post Course Success Ratio (PCSR) and the Utilisation of Teaching Accommodation (UTA) indicators were the next most beneficial, benefiting three stakeholder groups each.

The Utilisation of Teaching Accommodation (UTA) was of benefit to operational managers, the SOEID and HMI, with the Post Course Success Ratio benefiting Boards of Management, LECs and Employers.

The Interview Programme will explore the question of who benefits most from PIs. From this survey, college senior managers believe that other stakeholder groups

benefit from particular indicators but not all stakeholder groups benefit from all indicators.

The results of this Survey reveal that users of PIs perceive that there are beneficiaries of PIs and these beneficiaries are both internal and external to the college.

2. Matrix B Interviews: The Beneficiaries of Performance Indicators

The interviewees generally agreed that stakeholders benefit from PIs but not all benefit equally. The utility of a PI depends on its purpose. Most indicators benefit college managers. Boards of Management benefit from those indicators that focus on outputs and effectiveness. College managers believe that the value for money concern of the SOEID may lead to efficiency indicators taking precedence over indicators of effectiveness. This concern of the SOEID has led to HMIs developing a growing interest in unit costs, whereas college Strategic Management would prefer the HMIs to concentrate on more general advice and inspection.

Local Enterprise Companies are primarily interested in output indicators, as LECs are funded by Scottish Enterprise on the basis of performance. If the LEC meets its target for training activity and output in certain areas it will receive funding from Scottish Enterprise. LECs therefore fund college activity that helps them meet their targets. The LECs make use of the Scottish Quality Management System (SQMS) to monitor college performance and quality systems.

The interviewees were generally surprised by the limited range of PIs identified in the Survey as being beneficial to students. The Student Retention Ratio (SRR) was the only one identified. The SRR is the best PI from the student perspective as it is a good indicator of quality of provision and the students expect positive outcomes at the end of their college courses. Students will stay on courses if they benefit from the educational experience and enhance their employment prospects.

The Staff Student Ratio (SSR) is of limited use to the college senior managers interviewed. Only when there is a gross disparity between target and actual ratios will they initiate a closer examination.

Employers benefit from the Post-Course Success Ratio (PCSR) and the Student Retention Ratio (SRR) because the SRR is an indicator of the quality of provision and the PCSR is the indicator that addresses the prime interface between a college and employers. The interviewees agreed that employers are not likely to benefit from the Unit Cost Profile (UCP) and the Staff Student Ratio (SSR) is virtually meaningless to employers. Indicators of efficiency such as these are of little use to stakeholders apart from the SOEID and the HMI.

Interviewees expressed mixed views on the Survey's conclusions on employees as beneficiaries of PIs. The Student Programme Achievement Ratio (SPAR) and the Quality of Learning and Teaching (QLT) Profile are related to employee efforts in that many employees wish to know how well their employing organisation is doing. The interviewees doubted whether such interest was widespread but nevertheless the performance of an incorporated college is becoming more important to

employees in the light of funding problems and compulsory redundancies. Despite the Survey conclusions that the Unit Costs Profile (UCP) and the Staff Student Ratio (SSR) do not benefit employees, the interviewees believe that there will be a growing interest in college costs and college staffing at all levels in college structures.

Interviewees confirmed that SCOTVEC's interest is primarily focused on results, although the SCOTVEC accreditation system does result in periodic scrutiny of college systems. The prime SCOTVEC-college interface is in the area of results measured by the Student Achievement Ratio by Unit of Learning (SARU) and the Student Programme Achievement Ratio (SPAR).

The most beneficial indicators to college managers, according to the Survey, are the Student Retention Ratio (SRR) and the Post-course Success Ratio (PCSR). The SRR is an indicator of process and output, the PCSR is an indicator of outcome.

The conclusion derived from this part of the Interview Programme is that the prime beneficiaries of PIs should be college managers. Stakeholder groups, according to the interviewees, have a legitimate right to be informed about college activity for many reasons but particularly for accountability purposes. The interviewees would prefer stakeholders to gain the information they require from accurate and objective college annual reports that can explain the significance of key indicators. Data on the utilisation of resources, including indicators of efficiency, should primarily be used by college management for monitoring and reviewing college performance.

The SOEID should receive information on college performance. There is already a requirement to submit development plans and this should continue, according to the interviewees. The performance information supplied to the SOEID should they say, be limited to data related to the objectives stated in the development plan. The SOEID role should be to allocate resources and review college effectiveness, that is, to be involved in the planning (pre-control) and the review (post-control) stages. College managers should be responsible for creating the development plan (pre-control), implementing the plan and monitoring progress across a range of activities (concurrent control); and reviewing and reporting on college performance achieved in relation to performance objectives. The role of the HMIs should be to act as consultants to college management and to advise the SOEID on the further education environment, legislative requirements, college development plans and college annual reports.

PIs should primarily be tools of managers and not, as one interviewee put, 'ammunition to be used by stakeholders against college managers'. College managers would like less detailed scrutiny of their activities and more use of aggregated, explained performance measures, communicated throughout the annual reporting process.

Section C: Matrix C: The Acceptability of Performance Indicators

1. The Survey

This matrix considers the extent to which PIs are complementary to management in Scottish further education by making ten statements and asking for a response for each of the nine indicators preferred by the Scottish Office Education Department.

There is clear understanding of the efficiency indicators Unit Costs Profile (UCP) and Utilisation of Teaching Accommodation (UTA). The Student Retention Ratio (SRR) is clearly based on valid assumptions. The Student Programme Achievement Ratio (SPAR) and Utilisation of Teaching Accommodation (UTA) are not over elaborate or too complex. The Staff Student Ratio (SSR) and Student Retention Ratio (SRR) are consistent with FE values and are user friendly. The Post Course Success Ratio (PCSR) and Utilisation of Teaching Accommodation (UTA) are not currently compatible with college management information systems. The SPAR, SARU and CS indicators are not considered to be mainly for the benefit of the SOEID and the Government but the Unit Costs Profile (UCP) is.

In summary, in terms of acceptability the SRR, SPAR, SSR, SARU, and CS indicators are broadly acceptable to college senior managers. The PCSR, UTA and UCP indicators are less acceptable. Thus indicators of efficiency are not fully acceptable to college Strategic Management. The difficulty with the Post Course Success Ratio (PCSR) concerns the problems associated with the gathering, recording and analysis of the data required by this indicator. An omission from the list of acceptable indicators is the QLT Profile: it may be that it cannot be easily derived and is difficult to interpret, thus it becomes less acceptable. The indicators that are most and least acceptable to college senior managers and the reasons for this acceptance or rejection will be explored in the Interview Programme.

2. Matrix C Interviews: The Acceptability of the Performance Indicators

The interviewees were surprised by the limited number of indicators that the Survey respondents stated as being understood by management, although there has been

a lack of management development to prepare college managers for PIs and information from the SOEID was not forthcoming in the early period following college incorporation.

The validity of the Student Retention Ratio (SRR) came in for considerable praise from the interviewees as it reflects positive practices in educational provision and good courses experience good retention rates.

The interviewees agreed that the Student Programme Achievement Ratio (SPAR) and Utilisation of Teaching Accommodation (UTA) ratios are not over elaborate or too complex because they are easily calculated and build on the monitoring activities that college managers have undertaken for years. Many PIs in further education likewise build on what was common practice in colleges. The objective of the UTA is clear, in that its focus is on college efficiency, but the interviewees believe it is too narrow in its scope to be of real value to the practising college manager. One interviewee asked the question: 'If most of the college rooms are used most of the time, so what ?'

On the question of support for PIs, the interviewees in general were sceptical about the reasons for their introduction in Scottish FE but now recognise the value of some of the indicators to management decision-making. Some interviewees commented that PIs are now an integral part of a college management information system.

College information systems are developing to accommodate the needs of PI systems. Initially college management information systems could not cope with the

collection of the data needed for the prescribed indicators. The Post-Course Success Ratio (PCSR) continues to present problems to college managers in that it relies on ex-students responding to requests for information. College managers recognise the value of the PCSR and are attempting to improve their response rates for its computation.

Most of the prescribed indicators have some utility but the Utilisation of Teaching Accommodation (UTA) and the Unit Costs Profile (UCP) are less acceptable to most of the interviewees than are others as their focus is on efficiency. Some colleges have developed Indicators for their own use and these are fully acceptable to those college managers who utilise them. Indicators developed by funding bodies and their advisors with minimal involvement from college managers are far less acceptable.

The interviewees accept the need for accountability but, as far as PIs are concerned, utility has precedence over accountability. College managers must be accountable for their use of public money but they are also charged with providing an effective further education service. In order to be effective they must deliver a high quality further education service that achieves college objectives. If the college is effective within its budgetary allocation then, according to a majority of interviewees, the stakeholders should accept that the college is providing good value for money and should be content to look at the college's annual report.

Management by exception practices in further education would complement a PI system largely used for internal planning, monitoring and control. Such a system

would draw on the prescribed indicators but these would be supplemented by a bespoke set developed by college managers for college managers. Such an approach would, according to several interviewees, meet the range of stakeholder requirements of colleges in that it would address efficiency, effectiveness, quality, value for money, equity and accountability.

The terms 'cost effectiveness' and 'value for money' are generally used to focus on the results achieved for the resources employed and are therefore more about efficiency than effectiveness. College senior managers prefer the Student Retention Rate (SRR) as a good all round indicator of college well-being as it is likely to be a product of a combination of quality in learning and teaching, good pass results and good employment and progression prospects for qualified students. This is regarded by the interviewees as a multi-factor indicator and, once it is dis-aggregated by programme and by cognate group, one which provides a wealth of information on which to base college managerial decisions.

Section D: Matrix D: The PI Systems Implementation

1. The Survey

This matrix considers the way in which college senior managers perceive the introduction of the PIs system by making ten statements on the implementation of PIs in Scottish further education. College senior managers were asked to respond to each statement. There was no use made of the nine indicators preferred by the SOEID but use is made of the medians, modal responses and the interquartile ranges for supplementary comments.

College senior managers support the PI system in Scottish FE because they feel a sense of ownership of it. Although the modal response is 4 representing agreement, the median and interquartile range indicate a spread of responses. I conclude that there is not wholehearted support by the managers because a substantial proportion does not feel a sense of ownership of the PI system.

College senior managers believe that the system has been developed with the active support of further education managers but as many people disagreed with the statement as agreed with it. Therefore, there is a substantial proportion of college senior managers not in agreement with the statement.

College senior managers believe that the PI system in Scottish further education is new and interesting. College senior managers also believe that the PI system in Scottish further education does not take into account the reservations, objections and fears of college staff.

College senior managers believe that the PI system in Scottish further education allows for feedback and modification in the future but the modal response was 2 representing disagreement. Therefore a substantial proportion of college senior managers disagree with the statement believing that the PI system in Scottish further education will not allow for feedback and modification in the future.

College senior managers believe that the PI system in Scottish further education has been introduced to support the political and economic objectives of the Government.

College senior managers also believe that the PI system is complementary to the values of further education in Scotland.

It would appear from the responses to this matrix that there are differences of opinion amongst college senior managers concerning the implementation of the PI system in Scottish further education.

2. Matrix D Interviews: The PI Systems Implementation

College managers feel a sense of ownership of the PI system because it has, in part, been developed with their active co-operation. Some interviewees expressed concern that the college managers participating in the PI system's development were few in number. This situation was improved in the post-incorporation period. The piloting arrangement was also very selective and again more colleges could have been involved in the piloting process, according to the interviewees.

Most of the interviewees enjoy making use of PIs as they are new and interesting but recognise the reservations staff have about their introduction. Staff, according to the interviewees, believe that incorporation and PIs represent a threat to their job security. College employees have already had aspects of their terms and conditions of employment eroded through local collective bargaining and are not receptive to changes such as the introduction of PIs.

The PI system has not been static and the Working Party on PIs has shown that there can be ongoing dialogue between college managers and the SOEID over the development and use of PIs. This, according to the interviewees, is in contrast to the

position in the early 1990s when the system was presented almost as a fait accompli by HM Inspectorate.

There is no doubt in the minds of the interviewees that the driving forces behind the introduction of PIs in Scottish further education were political and economic. Few of the interviewees believe that quality and responsiveness were behind the PI initiative. The Government wanted to make further education less costly and more business-like and the Scottish Office was responsible for developing ways of implementing this Government policy in Scotland. The College Control Principle was the starting point which led to college incorporation and a range of initiatives to promote business practices in further education including PIs, development planning, commercial activities and staff development and appraisal processes.

Most of the interviewees stated that they would find it difficult to manage a college in the post-incorporation period without the use of PIs. They are an integral part of a college management information system and an essential tool of college managers. If the cause of change in the management of colleges was political and economic then the effect has been to radically change the way colleges are managed. PIs can become more useful for college managers over time in promoting college effectiveness without reducing college accountability to stakeholder groups.

Section E: Differences Between Respondents

Introduction

Three areas of difference were examined:

- differences between those aged 50 or older (N=24) and those who were less than age 50 (N=16);
- differences between those working in a college with a budget in excess of £7 million (N=25) and those working in a college with a budget of £7 million or less (N=15); and
- differences between those whose college was formerly part of the Strathclyde Regional Council education authority (N=20) and those whose college was formerly part of an education authority other than Strathclyde Regional Council (N=20).

The analysis is based on responses to Matrix D as it considers college senior managers' views on the PIs system as a whole. The analysis focuses on the median, mode and interquartile range for each set of responses as a guide to different viewpoints.

1. Age Differences

Significantly different responses were given to statements D2, D4, D5, D9 and D10. In relation to D2, "The Performance Indicator system in Scottish further education has been developed with the active support of further education managers", those less than 50 tended to agree with the statement (Mode 4 and 5) and those 50 or more disagreed with the statement (Mode 2). It may be that those aged 50 or more are less willing to accept change and were less involved in consultation and piloting.

In relation to D4, "The performance indicator system in Scottish further education is new and interesting", those less than 50 tended to agree with the statement (Mode 4) and those 50 or more tended to disagree (Mode 2). It may be that those aged 50 or more are less willing to be stimulated by new developments.

In relation to D5, "The performance indicator system in Scottish further education maintains college autonomy and security", those 50 or more tended to disagree with the statement. It may be that this group is more sceptical about the purpose of PIs than those less than age 50.

In relation to D9, "The performance indicator system in Scottish further education has been introduced to support the political and economic objectives of the Government", those less than 50 tended to display a stronger level of agreement (Mode 4 and 5) than those over 50 (Mode 4). It may be that those less than 50 are more willing to express strongly held views whereas those over 50 moderate their opinions.

In relation to D10, "The performance indicator system is complementary to the values of further education in Scotland", those 50 and over tended to display a stronger level of agreement with the statement (Mode 4) than those less than 50. It may be that those over 50 do not perceive PIs as representing change. They consider PIs to be more of an "old wine in new bottles" phenomenon.

2. Budgetary Differences

Significantly different responses were given to statements D2, D4, D5, and D10. In relation to D2, "The PIs system in Scottish further education has been developed with the active support of further education managers", the mode for those with budgets of less than £7 million was 3, whereas those with a budget of £7 million or more was bi-modal (2 and 4). The conclusion from this evidence is that there is a substantial disparity of opinion amongst college senior managers with larger budgets (£7 million plus). The reason for this disparity may be due to the selective nature of the colleges chosen for participation in the HMI piloting exercise, described in Quality and Efficiency. Senior managers from colleges not involved in the piloting may feel disadvantaged and consequently less inclined to believe that the PI system had been developed with their active support.

In relation to D4, "The performance indicator system in Scottish further education is new and interesting", there tended to be a stronger level of agreement from those senior managers in colleges with budgets of less than £7 million than from those with budgets of £7 million plus. It may be that managers in colleges with larger budgets have little opportunity to consider innovation in management systems as they are concerned to ensure that they provide an effective and efficient further education service. This is not to say that those managers with lesser budgets are not concerned with effectiveness and efficiency but the cost implications of their decisions will be of a lesser degree than the decisions taken in colleges with larger budgets.

In relation to D5, "The performance indicator system in Scottish further education maintains college autonomy and security", those with budgets of £7 million plus tended to express a stronger level of disagreement (Mode 2) than those with college budgets of less than £7 million (Mode 3). It may be that those colleges with greater budgets are more likely to suffer from Governmental action to reduce expenditure on further education provision and as a consequence such senior managers feel less secure.

In relation to statement D10, "The performance indicator system is complementary to the values of further education in Scotland", those senior managers with budgets of £7 million plus tended to express a stronger level of agreement (Mode 4) than those senior managers with budgets of less than £7 million (Mode 3). This is an interesting response, which clearly establishes a consensus amongst college senior managers with budgets of £7 million, plus that PIs can be complementary to further education values. It may be that the bigger the budget the more discretion that senior managers have for expenditure that, in their opinion, supports the values of further education in Scotland.

3. Differences in the Former Education Authority

The only significant difference was in relation to statement D1, "The performance indicator system in Scottish further education is supported by further education managers because they feel a sense of ownership of it ". Those senior managers from colleges that were formerly part of the Strathclyde Regional Council education authority tended to disagree with the statement (Mode 2) . Those senior managers from colleges formerly part of other education authorities tended to agree with the

statement (Mode 4). This may be due to the selective use, by HMI, of college senior managers to support the development of the PI system. College senior managers from the former Strathclyde Regional Council education authority may not have been as involved in the PI system's development as college managers from other education authorities in Scotland as SOEID initiatives were often opposed by Strathclyde Regional Council thus preventing the active participation of college managers from that education authority.

Commentary on Differences

It would appear from this analysis that there are significant differences between the responses given by senior managers from different further education colleges. There is not one particular reason for the differences in responses and I must conclude that the range of responses is a reflection of the diversity in Scottish further education and the range of environmental influences on further education in general and on the implementation of PIs in particular.

There is evidence from the survey that some college senior managers are clearly more supportive of the performance indicator system than others and part of this explanation does relate to their age, budget and former education authority.

The Survey addressed four broad areas concerning PIs in Scottish further education.

The responses to Matrix A indicate that college senior managers recognise the value of a suite of PIs consisting of different types of indicator, including indicators of efficiency.

The responses to Matrix B indicate that college senior managers believe that stakeholders benefit from PIs but not all stakeholders benefit from all indicators.

The responses to Matrix C indicate that some indicators are more acceptable than others to college senior managers. The non-efficiency indicators are more acceptable than the efficiency indicators. Why should this be so? The Interview Programme will probe this question.

The responses to Matrix D indicate differences of opinion amongst college senior managers on the question of the implementation of the PIs system. The Interview Programme will examine why such differences occur.

Matrix D yielded important information on differences in responses from college senior managers depending on the age, college budget and former education authority.

The objective of the Interview Programme is to further develop some of the issues identified by the Survey through a process of structured and semi-structured questioning.

More qualitative responses will be sought from college senior managers on questions such as:

- What do you believe is the purpose of PIs ?
- Who benefits from PIs ?
- Who benefits most from PIs ?
- Are all PIs equally acceptable ?
- What makes an indicator acceptable ?
- Is it the indicator or the process of its introduction ?
- Has the system of PIs in Scottish further education been effectively implemented?
- What action would aid this implementation further ?
- What support do you require to manage this performance indicator system ?

The end result of the interview programme should provide an extra dimension to the information generated from the Survey.

Section F: Specific Questioning on PIs, Managerialism and Implementation

Introduction

In this section the second element of the Interview Programme is discussed, that is, the results of specific questioning on Strategic Management attitudes to PIs (Part 1); managerialism in further education (Part 2); and the way in which the performance indicator system was introduced and implemented (Part 3). In Part 4, there is a discussion of the graphical responses given by the senior managers to questions on attitudes, over the period 1989-99, to PIs and managerialism. The responses are analysed and general conclusions derived from this graphical response and discussion. In each Part there are quotations (**in bold**) from college senior managers

and brief commentary on the responses from college managers who subscribe to the quoted viewpoint.

1. Performance Indicators

In this part of the section the responses of the interviewed managers are considered in relation to the supplementary questioning on their overall attitude to PIs.

PIs are not beneficial to staff or students, it is accounting gone mad.

This attitude confirms the view of some senior managers that PIs are for external consumption, with a clear focus on the quantifiable. There is little interest on the part of the external users in performance indicator information about the quality as opposed to the cost of further education provision.

Clear and simple definitions of PIs are required and these are not yet available.

Reporting systems must be tied to college management information systems.

This is vital.

This quotation represents a clear consensus on the extent to which PIs are understood and are manageable within the college MIS. There is a widely held belief that much work has to be done to achieve greater clarity and simplicity. PIs must be an integral part of the college MIS, not a complex supplementary activity that is not cost effective in terms of the time taken to compute the indicators and their value to management decision making.

We are light years away from using PIs for meaningful comparisons between colleges.

Comparisons between colleges are of limited value and could be dangerous.

I would value the opinion of an HMI more than 100 PIs in comparing colleges.

College senior managers are very sceptical about the value of inter-college comparisons. Senior managers not only reject such comparisons as being desirable but also deny the PIs system's capability to deliver valid comparisons.

In general, PIs emphasise factors that are measurable to the detriment of those which are not, in other words, efficiency has gained ascendancy over effectiveness.

Unit costs break the first two rules of a good performance Indicator in that they are neither easily calculated nor readily understood.

There is a clear consensus that the SOEID, through the prescribed indicators, has a particular agenda to achieve in relation to PIs. The SOEID wishes to promote greater economy and efficiency in Scottish further education and PIs allow the SOEID to measure the extent to which these are being achieved. Effectiveness is not as important at this time.

Unit costs in particular have been criticised for promoting the economy and efficiency purposes and have led to great resentment because of the problems associated with their calculation and with their subsequent use by college managers.

Cost accounting is not something that has been part and parcel of the management development of college senior managers and they therefore query the utility of these measures to college decision-making.

A few college senior managers mentioned that they are beginning to make use of unit costs using a management by exception approach whereby certain levels of deviation from the expected unit costs should be examined more closely and action initiated if appropriate. However, in many cases the costs are historical and relate to factors over which they have little control. For example, staff salaries represent the major component in programme unit costs but corrective action may not be possible or would be too radical to contemplate as it would involve staffing reductions through compulsory redundancies.

The performance indicator system is perceived by college managers as a tool for measuring performance, efficiency, cost-effectiveness and quality in further education and therefore it must be welcomed. However, it must also be acknowledged that it is a mechanism that assists the SOEID in allocating funds based on college performance.

A substantial proportion (14 out of 20) of those interviewed supported the attitude expressed in this quotation. PIs can be multi-purpose tools and as such should be accepted by managers and integrated within a college MIS. However their external use for such a crucial purpose as funding means that rather than becoming a complementary element in the college MIS, they have taken on vital importance and therefore require to be a prioritised activity of college Strategic Management.

Performance indicator information could be manipulated to present an impression of college performance that would mislead the funding body. College managers in such circumstances regard PIs as the means to an end and that end is survival through a healthy budgetary allocation, rather than PIs being a means to promote improvements in the efficiency, effectiveness and quality of further education provision.

PIs are useful as long as they are used as indicators and not determinants in all levels of management decision-making.

This quotation echoes the views of most college senior managers interviewed. They see the benefits of PIs if used appropriately in support of management decision-making process. PIs should be part of that process but should not be the main decision making tool of managers.

We have not yet adequately recognised that the perspectives of the various interest groups in further education are different and their needs cannot, therefore, best be met by the use of the same indicators in the same way.

A performance indicator is only valid if it is related to a specific purpose and either aids internal decision-making or satisfies a specific defined requirement for external accountability. There is, therefore, a difference between using PIs and publishing statistics.

There is clear agreement amongst college senior managers that the idea of one suite of PIs for the use of all stakeholders is not realistic. Different stakeholder groups require different information about different aspects of college activity. Not only are the information needs different but also the extent to which the information is best generated in aggregated or dis-aggregated fashion will depend on stakeholder preferences. It is the view of college senior managers that a standard suite of indicators cannot best meet the needs of the different stakeholder groups. The performance indicator information requirements for accountability are very different from the performance indicator information requirements for advising potential students, employers and parents about the quality of the learning process and programme success rates. Likewise college management requirements are different from the requirements of the SOEID.

The actual performance indicator values are less important than the underlying, influencing factors that have contributed to the actual value and it is the analysis of these underlying, influencing factors that assist college management decision making, rather than the PIs themselves.

The majority of college senior managers subscribe to this view of PIs as tools of managers. Their true value lies not in their quantitative measurement of college activity but in their benefit to managers in highlighting areas of activity worthy of further examination. It is this further examination that in turn leads to better informed management decision making. The worry is that stakeholders may interpret the raw measurements inappropriately and derive the wrong conclusions based on the partial information communicated through the PIs. PIs should be regarded as an

input to college decision-making, not as an output measurement of college performance.

Whatever the way forward for PIs, let us keep in mind the importance of justifying the time we spend on them in terms of impact on the quality of the work of the college.

There was unanimous agreement on the importance of continuing to promote a quality further education service. The real value of PIs, according to college senior managers, will be judged on the extent to which they make an important contribution to the promotion of the mission statements of further education colleges and to the attainment of college objectives as set out in college development plans. If PIs make little or no impact in these areas then they will have been a waste of time and will be regarded as such by college managers. Such an adverse consequence will lead over time to stronger opposition to their use and they will be regarded as a tool of accountability rather than a managerial tool.

2. Managerialism

In this part of the section the responses of the interviewed managers are considered in relation to the supplementary questioning on their attitude to managerialism in further education.

PIs seem to be politically motivated in their inception but long term benefits will result if they become embedded in the management culture of further education.

This view was shared by a majority of those interviewed. College senior managers recognise that they are now managers of resources as well as managers of the curriculum. As such they recognise the potential benefits of some PIs to college managers. Therefore, although they do not approve of the original objectives behind the introduction of PIs, they recognise their potential benefits for college decision-making.

The vocational relevance of programmes is largely neglected in the pursuit of the objectives of increasing enrolment and the attainment of national target rates for participation in further and higher education.

The purpose of the further education service is less clear as financial constraints and numerical criteria and statistics influence educational objectives.

One quarter (5) of those interviewed expressed sympathy with this view. Some courses are not popular yet there remains a need for the output of such programmes in the economy. The driving force is "getting bums on seats" and college managers have to respond by attracting students to meet their quotas of funded places. The course or programme content is of secondary importance and if the course fails to attract a set minimum number of students then it will not run. The factor determining 'a good course' is its popularity, not its vocational relevance.

From the internal college perspective, PIs should be an essential tool in developing an effective management process, particularly in the areas of:

- Development Planning;
- Resource Allocation;
- Organisation Development;
- Staff Motivation; and
- Quality Assurance.

PIs help to improve the effectiveness of the management process and the quality of decisions.

There is doubtless a growing awareness of the potential value of PIs across a range of internal college management activities. This is a clear sign that college managers are adjusting to the managerialist imperatives of post-incorporation Scottish further education. PIs are growing in their utility for internal college management purposes.

PIs can make a contribution to the effectiveness of college managers and in turn to college effectiveness through better informed decision-making.

College managers have to be trained to utilise performance indicator information and the support for management development greatly declined in the period from mid-1994. Management development is essential where managers are taking on new responsibilities using new techniques.

HMI should discuss with colleges their strategy for using PIs and should look for evidence of effective management activity at strategic and operational levels.

The Inspectorate should be less concerned with the value of the PIs than with the effectiveness with which they are being used.

Both of the above observations represent the prevailing attitude to managerialism and the interface between college managers and the HMI. If colleges are to fully embrace managerialism then managers should have the autonomy to manage as they see fit.

Colleges should be encouraged to develop their own ranges of indicators that are of specific relevance to their strategic aims and objectives.

College managers enjoy their autonomy and this freedom to manage should be developed further. Accountability remains important but this need not interfere with the 'right to manage'. PIs can, if developed by college managers, promote greater managerial autonomy.

At this point in time further education is being environment driven, in particular by the SOEID, and management led. The consequence is that college managers are in the business of education.

It is time for college managers to re-assert educational management in an environment which values quality in further education provision and to reject the concept of 'the business of education'.

I believed in the traditional values of Scottish further education. These values have been supplanted by business and commercial values and I am unconvinced that the two are compatible.

There is clearly some resentment on the part of college Strategic Management about the way in which further education has changed. College senior managers have largely progressed in their careers through an academic route that has taken them from being course or programme managers to managers of organisations with budgetary allocations of several million pounds. Some are unsure of the extent to which they can still gain job satisfaction from the new environment of further education management. Several would like to concentrate on educational management but accept that for the foreseeable future they must adjust and develop managerial expertise. They remain committed to providing a quality further education service but are so constrained by the lack of resources at their disposal that their current objective is to manage for survival.

The SOEID applied a 'safety net' to the funding of several colleges and, had it not been for this, then at least five colleges in Scotland could not have survived at their present staffing level without compulsory redundancies. Employee relations have badly deteriorated since college incorporation and this has had a consequent effect on staff morale. Staff are less well motivated and college managers are frequently

involved in disciplinary situations and collective local disputes between the employee unions and college management.

Most of the college managers miss the old further education culture but accept the need for change to adjust to the current climate in the public sector in general and to the environment of further education in particular. The idea of returning to being an educational manager, promoting the attainment of educational objectives is, for many of those interviewed, a forlorn hope. For others, the new environment of further education affords them an opportunity for greater autonomy than they had before and some find this interesting and challenging.

3. The Introduction and Implementation of Performance Indicators

In this part of the section the responses of the interviewed managers are considered in relation to the supplementary questioning on their attitude to the introduction and implementation of PIs in Scottish further education.

Levels of involvement in the introduction of PIs and low participation rates in the development of the system make college managers wary and non-committal.

There is little evidence of any involvement on the part of college managers in the initial development of the recommendations made in 'Measuring Up'. As a consequence college managers felt little ownership of the system of PIs. Management development for PIs was minimal as was subsequent participation in piloting as described in 'On Target'. The net effect is that managers feel that the

system of PIs has largely been developed by the SOEID for the SOEID and imposed on colleges of further education.

Since 1994 there has been wider participation in the process of developing working definitions of PIs and agreeing on reporting requirements but this participation has all been in the context of adapting what has already been decided by the SOEID. There is still more consultation and development work to be done on PIs and college senior managers hope that this consultation and development will involve them in the decisions that directly affect them.

4. Reflective Attitude Matrix (RAM)

The interviewees were given two matrices each depicting a range of responses to PIs and managerialism over the period 1989-96 (see Appendix C). The college senior managers had to draw a line from 1989 to 1996 depicting an overall attitude to PIs and managerialism from the given options. The options ranged as follows:

- Commitment
- Acceptance
- Neutrality
- Indifference
- Resistance.

Following completion of the chart they were asked to explain any changes that had taken place in their attitudes. The following section discusses their graphical responses and those factors that had resulted in a change of attitude.

4.1 Performance Indicators RAM

All of the interviewees started within the Neutrality, Acceptance and Commitment zones of the chart. There was a generally positive movement over the period from 1989-92 with most interviewees ending, in 1992, in the Commitment zone. From 1992-96 the pattern showed much less consensus with some senior managers maintaining their attitude within the Commitment zone. The majority (13 out of 20) of senior managers indicated a change in their attitude with a downward movement from 1992-96. The majority ended in the Acceptance zone and two senior managers ended in the Indifference zone.

There appears to have been a willingness on the part of senior managers to accept PIs in the period from 1989-92. During this period there were influential publications and management development support that enabled college senior managers to understand the potential benefits of PIs.

From about 1992, college senior managers became suspicious of the Government's agenda for further education and with the publication of the Further and Higher Education (Scotland) Act 1992 their suspicions were confirmed. PIs were part of the Government's drive for economy, value for money and efficiency in the public sector. The move to college incorporation necessitated a means to achieve accountability and PIs were seen as one way of obtaining information for the purpose of accountability. PIs were considered to be a tool of the Scottish Office and not as a managerial tool. However, in the period immediately before and immediately after the 1993 Incorporation, the Scottish Office continued to support the PI system's implementation. Many college senior managers, despite their misgivings, recognised

the potential of PIs. The incorporated college required comprehensive management information systems to support managerial decision making at all levels and PIs are an important component of a management information system. This led to a modification in attitude amongst senior managers, ending with general acceptance and indeed, for some, real commitment to their successful introduction.

4.2 Managerialism RAM

There was generally a higher starting point (1989) for managerialism, with most (16 out of 20) senior managers being in the Acceptance and Commitment zones. There was less of a downward trend in these charts, with 11 college senior managers maintaining their zonal position on the chart. A few (2) managers moved up slightly, several more (5) moved down slightly and three moved clearly downward ending with two of the three in the Indifference zone.

There was a high degree of consensus about the initial level of commitment to managerialism. Many college managers in 1989 were looking forward to the autonomy offered by the College Control Principle and perceived themselves to be key players in the new managerial culture. College incorporation brought a wary response but the desire to manage their own affairs remained an attraction for most of those interviewed. College senior managers were to be empowered by college incorporation and most (13) were excited by this prospect. Most (16) believed that the incorporated college must be managed but where the attitude of the senior manager has moderated downward, the senior managers admit to being ill prepared for the problems associated with incorporation. In particular the management of finance and the management of human resources have been problematic for many.

Funding and employee relations problems have been commonplace in colleges during 1995-96. For these reasons in particular some managers are more sceptical about managerialism and whether they can remain committed to it in the light of the radical changes that have taken place in Scottish further education.

Commentary on the Reflective Attitude Matrix (RAM)

This was a very interesting research process as it enabled me to consider the key elements of my research through structured questions. The graphical illustrations by the interviewees provided a point of focus for a discussion of prevailing attitudes and the reasons why their attitudes had changed.

Attitudes to PIs are different from attitudes to managerialism. In general, there remains a broadly positive attitude to both amongst college senior managers but there is more concern about PIs as managerialism is accepted as essential in the incorporated college. This is a clear conclusion but there have been changes over time. At this point, there is clearly less universal support for PIs than there was in 1992. Attitudes to managerialism, although they have moderated, remain more positive as strategic managers recognise that the environment of Scottish further education has radically changed and colleges must be managed by decision-takers within colleges. Managerialism is inevitable but need not be negative if college managers develop management competences and make better decisions as a consequence.

Chapter Conclusions

The Strategic Managers Survey and Interview Programme focused on four different aspects of performance indicators in Scottish FE: purposes; beneficiaries; acceptability; and the system's implementation. The survey revealed that the purposes of performance indicators, according to strategic managers, are many and varied but they clearly can serve a useful purpose in the management of further education. The beneficiaries of performance indicators, according to strategic managers, vary with different types of PI. There is a clear consensus that PIs benefit both college managers and Government and its agencies. There is little evidence of wider stakeholder benefits. Those PIs that focus on effectiveness and quality are fully acceptable but those, which focus on economy and efficiency, are less acceptable. There is a considerable level of resistance to the changes in further education and this is partly attributable to the passive role played by many strategic managers in the development of the PI system. Implementation has therefore been adversely affected by the lack of ownership by strategic managers of the PI system.

The interviews added qualitative information to the survey response and many senior managers clearly expressed concerns about the Government's public policy objectives in relation to Scottish further education. There were particular concerns over the demand for student places to meet Government targets having an impact on the quality of service provision. Many managers further expressed the view that the policy was clearly 'top-down' with little opportunity for customising PIs to meet college requirements.

The Reflective Attitude Matrices revealed that most strategic managers were neutral concerning PIs and managerialism but the reality of further education in the post-1993 period has made them more cautious about the changes in the PI system. Managerialism has less of a negative connotation as college managers see the need to become competent public managers.

Chapter VI is based on research at a later point in time and provides an opportunity to compare other stakeholder perceptions with the results of the strategic managers survey and interview programme. The Labour Government elected in 1997 immediately introduced changes to limit competition amongst further education providers and to promote collaboration. This, coupled with the increased experience of stakeholders of incorporated colleges, will provide additional research evidence.

CHAPTER VI

STAKEHOLDER PERCEPTIONS

Introduction

In this chapter the thesis adopts a stakeholder approach by considering the views of a range of further education stakeholders on performance indicators and the management of further education in Scotland. Stakeholders are any group or individual who can affect or is affected by the achievement of the organisation's objectives, several stakeholder groups can be identified. Some stakeholders are more important than others and in the public sector, key stakeholders are those who can exert influence over the strategic direction and decision making of the organisation. The key stakeholders in the Scottish further education system are as follows:

A. Internal Stakeholders

The Association of Scottish Colleges
Members of Boards of Management
College Strategic Management (strategic managers)
Other college managers (operational managers)
College employees and
Students.

B. Government, Funders and Audit Agencies

The Scottish Executive
The Scottish Further Education Funding Council
The Audit Scotland and the National Audit Office.

C. Other Government Agencies

HM Inspectorate of Schools
The Scottish Qualifications Agency
Scottish Enterprise and
The Scottish Further Education Unit.

D. External Stakeholders

Such as the families of students, employers, communities, other educational institutions and trade unions.

The listing is not exhaustive but does represent the key stakeholders in Scottish further education and as such provides a focus for the further analysis of the implementation of performance indicators in Scottish further education. The previous chapter considered in some detail the perceptions of college senior managers. This chapter will examine the perceptions of the other stakeholder groups in general in Sections A-D and focus specifically on the perceptions of operational managers in Section E and in Section F there is a brief study of the three Glasgow City Centre Colleges (Central College of Commerce, Glasgow College of Food Technology and Glasgow College of Building and Printing).

Section A: Internal Stakeholders

Introduction

This section examines the perception of the perception of the internal stakeholders other than college senior managers and members of Boards of Management as these were fully considered in Chapter V.

1. The Association of Scottish Colleges

The Association of Scottish Colleges (ASC) represents college Boards of Management and this information was obtained in an interview with a spokesperson for the ASC. The interview followed the same structure as the survey of operational managers.

The ASC representative stated that the main beneficiaries of PIs are the SFEFC, Boards of Management and college managers at various levels. The most significant influences on changes in the FE PI system are the college incorporation and funding changes. The ASC representative believes that college PI systems

mainly comply with the SFEFC Guidelines as it is in their best interests to do so. Colleges use PI for review and monitoring purposes although there is a drive towards target PIs. PIs as far as the ASC are concerned tend to be regarded as information and they are generally suitable to FE. In the early post-1993 period the demands of the system were unrealistic. PIs are generally acceptable to management and employees and are useful to various levels of management. Colleges use PIs to reflect on issues that have affected the college in the recent past.

The current trend is for more PIs for Government and its agencies. The current suite of PIs is generally acceptable to the ASC although college should develop their own additional PIs. It is possible to have one set as long as it can be supplemented. The ASC sees value and benefit in all PIs.

The public policy objectives of PIs are still focusing on value for money but the demands of quality are having an impact. The Starter Set remains relevant to FE and policy execution at college level meets the requirements contained the Government circulars. Changes at college level have so far tended to be a reaction to Government HMI and SFEFC initiatives. The 'top-down' changes have been initiated to support Government policy in the area of lifelong learning.

In relation to the Reflective Attitude Matrices (RAMs), initially Central Government benefited most from PIs but this is changing as college management benefit more. This in turn has a positive impact on students and clients if the PIs are used to

enhance the FE service. In general the PI system has been effectively implemented over the last 10 years.

In relation to the effects and consequences, colleges have achieved tremendous efficiency gains and this has had a dysfunctional effect on employee morale. However, college incorporation has empowered Boards of Management and college managers. Government has benefited most from PIs in FE due to the efficiency gains and the support for lifelong learning.

The main weakness of the present PI system is that it can be too prescriptive. The main strength is its potential to enhance local decision making if data are acted on by college managers. To make the system more effective requires additional resourcing and time to achieve the necessary changes demanded by Government. The reason it has taken so long to establish the PI system is because of underfunding.

2. College employees

This information was obtained from a focus group of employees from the three city centre colleges. The focus group followed the same structure as the survey of operational managers.

The employee representatives stated that the main beneficiaries of PIs are the SFEFC, Boards of Management and college managers at various levels. The most significant influences on changes in the FE PI system are the college funding changes. The employee representatives believe that college PI systems mainly

comply with the SFEFC Guidelines as they don't have much discretion. Colleges use PI for review and monitoring purposes. In the early post-1993 period the demands of the system were unrealistic. PIs are generally acceptable to management but less so to employees. Colleges use PIs to reflect on issues that have affected the college in the recent past.

The current trend is for more PIs for Government and the SFEFC. The current suite of PIs is generally not acceptable to employees as it requires a very bureaucratic information system involving a great deal of time and paperwork. It is possible to have one set. The employees see limited value and benefit in most PIs but programme success rates and post-course success will always be important.

The public policy objectives of PIs are still focusing on value for money. The Starter Set remains relevant to FE and policy execution at college level meets the requirements contained the Government circulars. Changes at college level have so far tended to be a reaction to Government HMI and SFEFC initiatives. The 'top-down' changes have been initiated to support Government policy.

In relation to the Reflective Attitude Matrices (RAMs), Central Government benefit most from PIs. Strategic Management also benefit. Some employees are involved in PI discussions and can see the potential benefit for students and clients if the PIs are used to enhance the FE service. The PI system has not been effectively implemented over the last 10 years.

In relation to the effects and consequences, colleges have cut costs and this has had a dysfunctional effect on employee morale. This is not solely attributable to PIs but is a consequence of college incorporation. College incorporation has empowered Boards of Management and college managers and they have much more discretion to make major decisions than they had before 1993. Government has benefited most from PIs in FE due to the efficiency gains and the support for lifelong learning.

The main weakness of the present PI system is that it is too bureaucratic but so is the SQA requirements and the requirements of quality systems. The main strength is it can be developed to assist staff to better achieve their objectives. To make the system more effective requires additional funding from Government. Too many changes have taken place over too short a period of time and further education is radically different from the pre-incorporation days. Most of the changes have not really improved the quality of FE provision in Scotland. The reason it has taken so long to establish the PI system is because of underfunding and a lack of staff training and development to help cope with the changes.

3. Students

This information was obtained from a focus group of former FE students. The focus group followed the same structure as the survey of operational managers. The students had limited awareness of the PI system but made comment on the basis of their experience of interactions with FE staff over a 1-2 year period.

The former students stated that the main beneficiaries of PIs are the Government. The most significant influences on changes in the FE PI system are the college funding changes. The students had little knowledge of the specifics of the college PI system but believed that college PI systems mainly comply with the SFEFC Guidelines. Colleges use PI for review purposes. PIs are acceptable to Strategic Management but less so to lecturing staff.

The current trend is for more PIs for Government and the SFEFC. The current suite of PIs is generally not acceptable to lecturing staff as it requires a great deal of form filling and checking. It is possible to have one set. The see value and benefit in most PIs as student achievement is the purpose of FE. Unit costs are less important.

The public policy objectives of PIs are still focusing on public expenditure control and accountability.

In relation to the Reflective Attitude Matrices (RAMs), Central Government benefit most from PIs. Strategic Management also benefit. Many employees are involved in PI discussions and students can see the potential benefit for themselves if the PIs are used to improve the quality of FE. The PI system has not been effectively implemented over the last 10 years.

In relation to the effects and consequences, colleges have cut costs and this may have had an effect on staff morale, some staff complained about the demands of the

PI system. Government has benefited most from PIs in FE due to the colleges' compliance with Government policy initiatives

The main weakness of the present PI system is that it is for the benefit of others, not students. The main strength is it could be developed to improve colleges. Most of the changes have not really improved the quality of FE provision in Scotland.

Section B: Government, Funders and Audit Agencies

Introduction

This is a very powerful stakeholder group as its focus is primarily on performance indicators as tools of performance governance. The objectives of their interactions with the further education system being to promote the effectiveness of accountability and control measures. The views sought are those of the Scottish Office (up to May 1997), the Scottish Executive (from May 1997), the Scottish Further Education Funding Council (from January 1999) and Audit Scotland. These views have been expressed in reports from the Government over a period of years and from interviews with representatives of SFEFC and Audit Scotland. The interviews followed the same structure as the survey of operational managers.

1. The Scottish Office 1993-96

In the 1993 Report on Further Education in Scotland clarified the Government expectations of the Development Planning process. Some aspects of college development plans were to remain confidential but in order to endure that clients and college customers are well informed on proposed developments, colleges are required to publish a summary plan which should be widely available and contain,

where available key performance indicators. Performance indicators were further mentioned in the 1993 Report under the heading of 'Assuring Quality'. The Report re-iterates that advice is available in the three key publications *Measuring Up* (1990), *Quality and Efficiency* (1992) and *On Target* (1993) on self-evaluation processes and the use of performance indicators. Colleges had only just commenced using the five key performance indicators identified in 'Measuring Up' as a basis for internal audits of quality.

In this early post-incorporation period the use of performance indicators is clearly piecemeal with an emphasis on performance indicators in development planning and for quality assurance purposes. Policy implementation had clearly not been achieved in 1993.

In the 1994 Report on Further Education in Scotland, the Secretary of State identified the five key performance indicators (Student Achievement Ratio, Post-course Success Ratio, Client satisfaction, the Quality of Teaching and Learning profile and the Unit Cost profile) as a central feature of college's quality assurance arrangements and their commitment to public accountability. Information provided by colleges in their 1994 development plans showed that, across the sector, considerable progress had been made in analysing and acting on performance indicator information. The Government remained concerned at this point that the implementation was variable across the sector and indicated that further progress was required. Experience of using the indicators had shown that the definitions of some indicators required refinement before the PI data can be a reliable source of information. A working group consisting of representatives of SOED, HM Inspectorate and the FE college sector proposed revisions to the PI definitions and

provided advice on their presentation designed to lead to consistency in both calculation and presentation.

From 1 April 1994 the Secretary of State for Scotland assumed formal responsibility for the Government's policy and resources for training in Scotland, operating within the training policy framework for Great Britain as a whole. The Advisory Council for Education and Training Targets (ASCETT) was established in March 1993 to advise the Secretary of State on the targets required in Scotland to raise skill levels in the interests of international competitiveness and economic success. The targets significantly impact on further education in Scotland.

A new recurrent funding methodology for further education was developed in the period following college incorporation that measures student activity. Clear definitions were developed for colleges to count their student numbers and to report to the Scottish Office Education Department on their success in attracting students.

Development Planning has helped to inform the Secretary of State of expenditure needs of the further education system, has helped contribute to the assessment of the adequacy of further education provision and has assured the Scottish Office that proposed developments are soundly based. Colleges were required to publish performance indicators in their annual reports and this, according to the Government, is important in terms of accountability and openness. In 1995-96 colleges achieved 6% efficiency gains and a 9% increase in student activity.

The 1996 Report made no use of the key performance indicators identified in measuring up. At this stage progress on the implementation of the performance indicators system was limited and they were therefore of little value as a tool of performance governance. Performance indicators were used in development planning and for self-evaluation in quality assurance. Colleges had also to include performance information in their annual reports. This combination suggests that performance indicators were beginning to be used to communicate with clients and customers and to report to the Scottish Office. However, the indicators were not sufficiently robust to allow for performance governance action.

2. The Scottish Office and the Scottish Executive 1997-2000

The 1997 Report by the Secretary of State highlighted the change in policy direction. The Labour Government was elected with a manifesto to maximise access, improve co-ordination between colleges and minimise needless competition. The manifesto commitment also specified the need for a strategic framework for further education.

In 1997 development were also made in the collation, analysis and use of performance indicators, resulting in the first mandatory returns of a comprehensive set of performance indicators to the Scottish Office. As a result a national set of achievement and success rates existed for the first time. Across the sector there was growing awareness that performance indicator data should be generated more efficiently and used more effectively to address the issue of low achievement rates on some programmes, with particular attention being given to the quality of learning and teaching. This was the first feedback from the performance indicators system at national level and basically requested that action be initiated at college levels where

the indicators identified performance deficiencies. The key national performance indicators had been refined and only three were used in the Report: the Student Programme Achievement Ratio (SPAR); the Student Achievement Ratio by Unit of Learning (SARU); and the Post Course Success Ratio (PCSR). Unit costs details were also recorded and published in the annual report.

3. The Scottish Further Education Funding Council

This information was obtained from an interview with a representative of SFEFC.

The SFEFC representative stated that the main beneficiaries of PIs are the Government, SFEFC, Boards of Management and college managers at various levels. The most significant influences on changes in the FE PI system are Government policy and funding changes. The SFEFC representative believes that college PI systems mainly comply with the SFEFC Guidelines in order to meet the demands of an audit. Colleges use PI for review and monitoring purposes although there is a drive towards target PIs linked to the colleges' annual development plans. PIs as far as the SFEFC are concerned tend to be regarded as information and they are generally suitable to FE because they were developed in conjunction with FE representatives. In the early post-1993 period the demands of the system were realistic but there were 'teething' problems. PIs are generally acceptable to management and employees and are useful to various levels of management. Colleges use PIs to reflect on issues that have affected the college in the recent past.

The current trend is for some PIs for Government and its agencies and others for benchmarking and internal college use. The current suite of PIs is not entirely

acceptable to the SFEFC due to problems highlighted by the recent SFEU study. It is possible to have one set as long as it can be supplemented. The SFEFC sees value and benefit in all PIs otherwise it would not ask for them.

The public policy objectives of PIs focus on value for money and quality enhancement. The Starter Set remains relevant to FE and policy execution at college level generally meets the requirements contained the Government circulars. Changes at college level have so far tended to be a reaction to Government, HMI and SFEFC initiatives. The changes have been initiated to help colleges improve their performance and to support Government policy in the area of lifelong learning.

In relation to the Reflective Attitude Matrices (RAMs), initially Central Government benefited most from PIs but this is changing as college management benefit more. This in turn has a positive impact on students and clients if the PIs are used to develop the quality of provision. The PI system has been effectively implemented over the last 10 years.

In relation to the effects and consequences, colleges have achieved tremendous efficiency gains and this demonstrates that they were not providing good value for money in certain aspects of their activities. College incorporation has taken further education out of the local government arena and it no longer has to compete for resources with a range of local government services. Government has benefited most from PIs in FE due to the efficiency gains and the support for lifelong learning. The main weakness of the present PI system is that it tends to be used by colleges to report performance and there is a need to use the data more for planning and

monitoring. The main strength is its potential to enhance local decision-making and the effectiveness of colleges in achieving their development plans. To make the system more effective requires changes in management arrangements and a study recently completed for the SFEFC will recommend certain changes. Some targeted additional resourcing is planned to support the system. The reason it has taken so long to establish the PI system is because of technical difficulties and the lack of competence in their use in certain colleges.

4. Audit Agencies

This information was obtained from an interview with a representative of Audit Scotland. The interview recognised that further education was previously the responsibility of the National Audit Office and was therefore only able to make general comments on performance indicators drawing on National Audit Office Reports. The framework used for the survey of operational managers was not therefore used.

Auditing agencies are empowered to promote transparency, responsiveness and accountability in public sector organisations including colleges of further education. Performance measurement and reporting are intrinsic to the whole process of public management, including planning, monitoring, evaluation and public accountability.

Systems for collecting and validating performance are likely to be more robust if Scottish colleges of further education: define the quality of data in advance; seek advice from specialists; establish clear performance measure definitions; designate who is accountable for performance data; encourage managers to obtain good

quality performance data; develop and implement effective controls over the collection of data; and establish and implement clear guidelines for the validation of performance data.

Audit Scotland will apply well developed auditing procedures to Scottish further education looking, in particular, at existing performance management systems and supporting their improvement.

Section C: Other Government Agencies

1. Her Majesty's Inspectorate of Schools

This information was obtained from an interview with a representative of the HMI. The structure used in the survey of operational managers was used for this interview. The HMI representative stated that the main beneficiaries of PIs are the Scottish Executive, SFEFC, Boards of Management and college managers at various levels. The most significant influences on changes in the FE PI system are the college incorporation and funding changes. The HMI representative believes that college PI systems mainly comply with the SFEFC Guidelines as the HMIs have supported the system's implementation. Colleges use PI for review and monitoring purposes although there is a drive towards target PIs being incorporated into college development plans. PIs as far as the HMI are concerned should be regarded as data for processing by college management and they are generally suitable to FE. The demands of the system are realistic. PIs are generally acceptable to management and employees and are useful to various levels of management. Colleges tend to use PIs to reflect on issues that have affected the college in the recent past and have not yet begun to utilise them for planning and target purposes.

The current trend is for more PIs for use by Boards of Management and college senior managers as part of the movement towards self-assessment and self-evaluation. The current suite of PIs is generally acceptable to the HMI although colleges should develop their own suites of PIs. It is possible to have one set as long as it can be supplemented at a college level to accommodate the particular environmental circumstances of Scottish colleges. The HMI sees value and benefit in all PIs but particularly qualitative PIs and unit costs.

The public policy objectives of PIs are still focusing on value for money and the contribution of FE to the lifelong learning agenda. Competition has been replaced by a drive for collaboration and strategic partnerships. The demands of quality and business excellence are having an impact. The Starter Set remains relevant to FE and policy execution at college level generally meets the requirements contained the Government circulars. Changes at college level have so far tended to be a reaction to Government, HMI and SFEFC initiatives. The 'top-down' changes have been initiated to support Government policy in the area of lifelong learning and quality of further education provision.

In relation to the Reflective Attitude Matrices (RAMs), initially Central Government benefited most from PIs but this is changing as college management benefit more. This in turn has a positive impact on students and clients if the PIs are used to enhance the quality of FE provision. In general the PI system has been effectively implemented over the last 10 years.

In relation to the effects and consequences, colleges have achieved tremendous efficiency gains while at the same time delivering a quality further education service. Participation rates are excellent and colleges are delivering results in line with Government targets. College incorporation has empowered Boards of Management and college managers and in some cases there have been errors of judgement and poor management resulting in sub-standard performance. In one case the management team at Reid Kerr College in Paisley had to be substantially replaced. Some colleges have been in deficit for several years but the average deficit is reducing year after year. Society has benefited most from PIs in FE due to the improved participation rates, the enhanced quality of further education service and the support for lifelong learning.

The main weakness of the present PI system is that it can be too prescriptive but the HMI are encouraging diversity in the system to reflect particular circumstances such as special needs students. The main strength is the PI system's potential to improve local decision-making by college managers at all levels. To make the system more effective requires additional use of self-assessment, self-evaluation, the development of benchmarking, improving the robustness of the measures and encouraging the development of quality systems. The reason it has taken so long to establish the PI system is because of technical difficulties, limited development resources, policy changes and other Government initiatives affecting FE .

2. The Scottish Qualifications Agency

No useful information was obtained from an interview with a representative of the SQA in which the interviewee largely refused to comment on the SQA perspective on performance indicators in Scottish FE.

3. Scottish Enterprise

This information was obtained from an interview with a representative of Scottish Enterprise (SE). The structure used in the survey of operational managers was used for this interview.

The SE representative stated that the main beneficiaries of PIs are the Scottish Executive and the SFEFC. The most significant influences on changes in the FE PI system are the funding changes. The SE representative believes that college PI systems mainly comply with the SFEFC Guidelines. Colleges use PI for review and monitoring purposes. PIs as far as the SE are concerned should be regarded as information for college management and they are generally suitable to FE. The demands of the system are realistic. PIs are generally acceptable to management and employees and are useful to various levels of management. Colleges tend to use PIs to reflect on issues that have affected the college in the recent past and have not yet begun to utilise them for planning and target purposes.

The current trend is for more PIs for use by Scottish Enterprise to monitor particular programmes and trends in the FE system. Boards of Management and college senior managers make more use of PIs as part of their liaison with local enterprise councils and employers. The current suite of PIs is generally acceptable to SE although colleges should develop additional suites for particular programmes. It is possible to have one set as long as it can be supplemented at a college level to accommodate the needs of local employers and LECs. Scottish Enterprise sees value and benefit in all PIs.

The public policy objectives of PIs are still focusing on economic policy, the contribution of FE to the lifelong learning agenda and the demands of a knowledge economy. The demands of quality through SQMS, IIP and business excellence are all having an impact. The Starter Set remains relevant to FE and SE. Changes at college level have so far tended to be a reaction to Government and SE initiatives. The 'top-down' changes have been initiated to support Government policy in the area of lifelong learning and economic capability.

In relation to the Reflective Attitude Matrices (RAMs), initially Central Government benefited most from PIs but this is changing as other stakeholders benefit more in the longer term. This in turn has a positive impact on employers and students. In general the PI system has been effectively implemented over the last 10 years.

In relation to the effects and consequences, colleges have achieved tremendous efficiency gains. Participation rates are excellent and colleges are delivering results in line with Government and SE targets.

The economy has benefited most from PIs in FE due to the improved participation rates, the enhanced quality of further education service and the support for economic and social policy.

The main weakness of the present PI system is that it limits performance measures to a few key PIs. The main strength is the PI system's potential to support national and local economic development. To make the system more effective requires additional use of business practices to improve management and college

performance. The reason it has taken so long to establish the PI system is because of limited development resources and Government policy changes.

4. The Scottish Further Education Unit

This information was obtained from interviews with representatives of the SFEU. The structure used in the survey of operational managers was used for this interview. The SFEU representatives stated that the main beneficiaries of PIs are the Scottish Executive, SFEFC, Boards of Management and college managers at various levels. The most significant influences on changes in the FE PI system are the college incorporation and funding changes. The SFEU representatives believe that college PI systems mainly comply with the SFEFC Guidelines as the SFEU have supported the system's implementation but a recent commissioned report by the SFEU casts doubt on the robustness of the measures. Colleges use PI for review and monitoring purposes although there is a drive towards target PIs being incorporated into college development plans and more extensive use for benchmarking. PIs as far as the SFEU are concerned should be regarded as data for processing by college management and they are generally suitable to FE. The demands of the system are realistic. PIs are generally acceptable to management and employees and are useful to various levels of management. Colleges tend to use PIs to reflect on issues that have affected the college in the recent past and are just beginning to utilise them for planning, target setting and other purposes.

The current trend is for more PIs for use by Boards of Management and college senior managers as part of the movement towards benchmarking, self-assessment and self-evaluation. The current suite of PIs is not acceptable to the SFEU and

there is an urgent need for improvement. It is possible to have one set as long as it can be supplemented at a college level to accommodate diversity. The SFEU sees value and benefit in all PIs but particularly qualitative PIs.

The public policy objectives of PIs are still focusing on value for money and the contribution of FE to the lifelong learning agenda. Competition has been replaced by a drive for collaboration and strategic partnerships. The demands of quality and business excellence are having an impact. The Starter Set remains relevant to FE but policy execution at college level generally fails to meet the requirements contained the Government circulars. Changes at college level have so far tended to be a reaction to Government, HMI and SFEFC initiatives. The 'top-down' changes have been initiated to support Government policy in the area of lifelong learning and quality of further education provision.

In relation to the Reflective Attitude Matrices (RAMs), initially Central Government benefited most from PIs but this is changing as college management benefit more. This in turn has a positive effect on quality. The PI system has not been effectively implemented over the last 10 years.

In relation to the effects and consequences, colleges have achieved tremendous efficiency gains while at the same time delivering a quality further education service. Participation rates are excellent and colleges are delivering results in line with Government targets. Some colleges experienced difficulty in achieving the required efficiency gains. The Government and society has benefited most from PIs in FE

due to the improved participation rates, the enhanced quality of further education service and the support for lifelong learning.

The main weakness of the present PI system is that it can be too prescriptive but the SFEU are encouraging benchmarking and self-regulation to recognise the diversity in the system. The main strength is the PI system's potential to improve local decision-making by college managers at all levels but this may as yet be under-developed. To make the system more effective requires additional use of self-assessment, self-evaluation, the development of benchmarking, improving the robustness of the measures and encouraging the development of quality systems. The reason it has taken so long to establish the PI system is because of technical difficulties, limited development resources, policy changes and other Government initiatives affecting FE .

Section D: External Stakeholders

This information was obtained from the Educational Institute of Scotland. The interview followed the same structure as the survey of operational managers.

The EIS representative stated that the main beneficiaries of PIs are the Government, the SFEFC, Boards of Management and college managers at various levels. The most significant influences on changes in the FE PI system are college incorporation and the college funding changes. The EIS believe that college PI systems mainly comply with the SFEFC Guidelines as colleges don't have much discretion. Colleges use PI for reporting. The demands of the system are unrealistic. PIs are generally acceptable to management but less so to employees.

Colleges use PIs to reflect on issues that have affected the college in the recent past.

The current trend is for more PIs for Government and the SFEFC. The current suite of PIs is generally not acceptable to the EIS as it requires a very bureaucratic information system involving a great deal of time and paperwork. It is possible to have one set. The EIS sees limited value and benefit in most PIs but programme success rates and post-course success will always be important.

The public policy objectives of PIs are still focusing on value for money and in particular on economy. The Starter Set remains relevant to FE and policy execution at college level meets the requirements contained the Government circulars. Changes at college level have so far tended to be a reaction to Government, HMI and SFEFC initiatives. The 'top-down' changes have been initiated to support Government policy.

In relation to the Reflective Attitude Matrices (RAMs), Central Government benefit most from PIs. Strategic Management also benefit. Many EIS members are involved in PI discussions and can see the potential benefit for students and clients if the PIs are used to enhance the FE service. The PI system has not been effectively implemented over the last 10 years.

In relation to the effects and consequences, colleges have cut costs and moved away from national collective bargaining and this has had a dysfunctional effect on employee morale. This is not solely attributable to PIs but is a consequence of

college incorporation and the desire for public expenditure control. College incorporation has empowered Boards of Management and college managers and they have much more discretion to make major decisions than they had before 1993 and are much less accountable. Government has benefited most from PIs in FE due to the efficiency gains and the support for lifelong learning.

The main weakness of the present PI system is that it is too focused on economy. To make the system more effective requires additional funding from Government. Too many changes have taken place over too short a period of time and further education is radically different from the pre-incorporation days and this is to the detriment of most EIS members in FE. Most of the changes have not really improved the quality of FE provision in Scotland. The reason it has taken so long to establish the PI system is because of under-funding and a lack of staff training and development to help cope with the changes.

Section E: Operational Managers

Introduction

The data was obtained from a survey sent to all 43 Scottish FE colleges with 5 copies of the questionnaire per college. 45 responses were received from 30 colleges of further education. The survey was divided into two parts; a questionnaire, which utilised ranking and focused questions and graphical Reflective Attitude Matrices (RAMs) supplemented by six open qualitative questions. The questionnaire asked 21 questions on the performance indicators system in Scottish further education focusing on the system's implementation. The questions were

designed to assess user perceptions across several dimensions of a performance indicators system. The questionnaire is contained in the appendices to this thesis.

1. The Main Beneficiaries of PIs

Respondents were asked to rank the five main beneficiaries of PIs. The resultant top five average rankings were as follows:

Scottish Executive	2.7
College Management	3.0
SFEFC	3.2
HMI	3.7
Boards of Management	4.7

Three of the top five are Government or Government agencies, the other two are management groups. There is no evidence that operational managers identify external stakeholders as beneficiaries of PIs.

2. The Most Significant Influence on Changes to the FE PI System

Respondents were asked to rank the five most significant influences on changes to the FE PI system. The resultant top five average rankings were as follows:

FE Funding	3.7
Political Changes	4.0
HMI Reports	4.4
National Audit Office	4.6
Changes in FE Colleges	4.7

Four of the five influences are external and there is clearly a perception that the changes are a consequence of top-down, performance governance initiatives.

3. College Compliance with SFEFC Guidelines

Respondents were asked to indicate the extent to which their PI system complies with SFEFC Guidelines. The responses were as follows:

18% believe that their system complies exactly with the SFEFC Guidelines;

67% believe that their system mainly complies with SFEFC Guidelines;

15% believe that their system partly complies with SFEFC Guidelines.

A substantial proportion (18%) has complied exactly with the SFEFC Guidelines and therefore has not adapted the Guidelines to suit local circumstances. However, 82% have supplemented the Guidelines by creating their own suites of indicators .

4. PI Use in Colleges

Respondents were asked to indicate the main use of college PIs. The responses were as follows:

50% believe that the main use is review;

36% believe that the main use is evaluation;

14% believe that the main is monitoring; and

0% believe that the main use is planning.

Despite the rhetoric there is no evidence of a movement to using PIs for planning as yet. The majority of respondents see PIs as post-controls (review and evaluation) with a lesser percentage identifying PIs as concurrent controls (monitoring).

5. Purpose of PIs

The respondents were asked to identify the purpose of PIs. The results were as follows:

7% considered PIs as describing current status;

14% considered them as raw data;

14% considered them as information; and

65% considered them as being for the purpose of prompting further investigation.

This is an interesting result as it confirms that PIs are being used internally by FE managers to identify areas requiring further investigation.

6. Suitability of PI System

The respondents were asked to indicate whether or not the PI system was suitable.

57% indicated that they were suitable and 43% indicated that they thought they were not suitable. There is clearly a split in the perceptions of operational managers on the suitability of PIs.

7. Feasibility of PI System

The respondents were asked to indicate whether or not the PI system was feasible.

43% indicated that they believed that the PI system placed realistic demands on FE.

57% indicated that they believed that the demands placed by PIs on the FE system were unrealistic. Again, a clear split in perceptions on the extent to which performance indicators are feasible in FE colleges.

8. Acceptability of PI System

The respondents were asked to indicate which stakeholder group found PIs acceptable. 78% indicated that PIs were acceptable to management. 7% indicated that they were acceptable to staff. 15% indicated that they were acceptable to others. 0% indicated that they were acceptable to clients. PIs are therefore clearly acceptable to management and clearly not acceptable to clients.

9. Utility of PIs

The respondents were asked to indicate their perceptions of the extent to which PIs were useful. 64% indicated that they had limited use. 28% indicated that they were useful. 8% indicated that they were essential. 0% indicated that they were of no use. There is clearly perceived limited utility in PIs.

10. College Consequences of PIs

The respondents were asked to indicate what happens in colleges as a consequence of PIs. Only 7% of respondents considered them to be useful for organisational learning. 21% considered them to be useful for reflection while 50% saw them as being used to allocate blame. 21% saw them as being used to initiate action. This is clearly an area of concern when such a substantial proportion of college managers see a 'blame culture' emerging as a consequence of PIs.

11. Current Trends in PI Systems

The respondents were asked to indicate their perception of the current trends in PI systems. 65% saw the trend as the provision of more information for Government and its agencies. 35% indicated that the trend was towards more information for

management. Performance governance and performance management seem to be the joint directions of the future with no evidence of PIs for students and other clients.

12/13. Changes in PI Starter Set

No clear conclusion could be drawn from the responses to this question.

14/15. One Set of PIs For All Colleges

The respondents were asked a closed question on whether or not it was possible to have one set of performance indicators for all Scottish colleges. 72% responded that it was possible and 28% said that it wasn't possible. Those who said that it wasn't possible cited several reasons including local variations, differences between colleges, local economic circumstances and local demographics.

16. Most Useful PIs

No conclusions could be derived from the responses to this question.

17. Public Policy Objectives

There was a great variety of responses to this question of the public policy objectives of PI systems and the recurring themes were: Government monitoring; economy; quality; excellence; best value; and value for money.

18. The Relevance of Prescribed PIs

The respondents were asked a closed question as to whether or not the prescribed PIs remain relevant to FE in the year 2000. 80% said yes and 20% said no. The prescribed performance indicators remain relevant today.

19. Policy Execution versus Policy Specification

Respondents were asked, 'If prescribed PIs are part of public policy for FE, has policy execution at college level differed from policy specification through FE Circulars from the SOEID and the Scottish Executive?' The majority (66%) indicated that PI systems were developing incrementally by supplementing the prescribed indicators and thus promoting a greater sense of ownership of the college PI system. The remainder believe that there is no difference between policy specification and policy execution.

20/21. Change Initiators

The prime initiators of change in the PI system at college level are the HMI, Strategic Management and college quality teams. Where changes have been initiated the reasons have varied but includes: quality initiatives, efficiency gains and to support development planning changes.

Reflective Attitude Matrix 1: Central Government as Main PI Beneficiary

There is a clear trend towards a stronger agreement with the statement that Central Government has benefited most from performance indicators in Scottish FE.

Reflective Attitude Matrix 2: College Management as Main Beneficiary

There is a clear trend towards agreeing with the statement that college management has benefited most from performance indicators in Scottish FE.

Reflective Attitude Matrix 3: Students and Clients as Main Beneficiaries

There is a clear trend towards disagreeing with the statement that students and clients have benefited most from performance indicators in Scottish further education.

Reflective Attitude Matrix 4: The PI System's Implementation

There is a trend towards agreeing with the statement that the PI system has been effectively implemented.

Qualitative Questions

What have been the effects and consequences of the changes in Scottish FE over the last 10 years ?

There is a consensus that the changes have had a radical effect on Scottish FE. Colleges in the year 2000 are very different from the colleges of pre-incorporation days. Much more concern for costs and there is a bureaucratisation of the work on college managers at all levels.

Who, in your opinion, has benefited most from performance indicators in Scottish further education ?

The main beneficiaries have been the Government, the HMI and college Strategic Management.

What, in your opinion, is the main weakness of the PI system ?

The lack of reliability and validity in the data generated makes it difficult to use for benchmarking performance.

What, in your opinion, is the main strength of the PI system ?

Evaluation is much better and it has the potential to enhance quality if used appropriately.

What, in your opinion, could be done to make the PI system more effective ?

Improve reliability and validity and promote more benchmarking and the development of social inclusion indicators.

Why has it taken so long to establish a PI system for Scottish FE ?

Reasons cited include: poor management development, poor change management, information technology problems, problems of measuring quality aspects of performance. The main reasons given are lack of competence and suspicion of Government motives.

Survey Conclusions

There is no evidence of a movement to using PIs for planning as yet. The majority of respondents see PIs as post-controls (review and evaluation) with a lesser percentage identifying PIs as concurrent controls (monitoring). Four of the five influences on PIs are external and there is clearly a perception that the changes are a consequence of top-down, performance governance initiatives. PIs are beginning to be used internally by FE managers to identify areas requiring further investigation.

A substantial proportion (18%) has complied exactly with the SFEFC Guidelines and therefore has not adapted the Guidelines to suit local circumstances. However, 82% have supplemented the Guidelines by creating their own suites of indicators.

There is clearly a split in the perceptions of operational managers on the suitability of PIs and a clear split in perceptions on the extent to which performance indicators are feasible in FE colleges. PIs are clearly acceptable to management and clearly not acceptable to clients. There is perceived limited utility in PIs. A substantial proportion of college managers see a 'blame culture' emerging as a consequence of PIs. Performance governance and performance management seem to be the joint directions of the future with no evidence of PIs for students and other clients. The prescribed performance indicators remain relevant today.

The majority (66%) indicated that PI systems were developing incrementally by supplementing the prescribed indicators and thus promoting a greater sense of ownership of the college PI system. The remainder believes that there is no difference between policy specification and policy execution. It has taken so long to establish the PI system because there is a perceived lack of competence amongst

operational managers and a suspicion of Government motives in advocating prescribed indicators.

Overall the operational management survey proved very useful as it provided an additional and different perspective from that of the college Strategic Management sample.

Section F: Glasgow City Centre Colleges

Introduction

In this section managers in the three city-centre colleges, the Central College of Commerce, Glasgow College of Building and Printing and Glasgow College of Food Technology, are asked their views on the impact of the PI system on their colleges. Performance information published by the Scottish Executive is used to establish each college's key performance statistics over the period 1995-99.

1. Central College of Commerce

Central College of Commerce has closely followed the Scottish Office Guidelines on performance indicators since college incorporation in 1993. The college makes use of the Student Retention Ratios 1 and 2 (SRR 1 and 2), the Student Achievement Ratios by Unit of Learning (SARU), the Student Programme Achievement Ratios (SPAR), Client Satisfaction (CS), Complaints and Commendations (CC) and the Post-Course Success Ratio (PCSR). The Complaints and Commendations (CC) indicator is a bespoke indicator developed by Central College. The performance indicators are aggregated for the college as a whole and dis-aggregated by mode of learning and by department.

The total income for the year ended 31 March 1999 was £8.25 million and the college had a deficit of £21,000. The key college performance statistics since 1995 are as follows:

Enrolment	Grant	Costs Index (Acad.)	Costs Index (Support)	Weighted SUMs
1995: 4,948	£4.4m	142	71	33,342
1996: 5,245	£4.48m	136	53	35,671
1997: 6,760	£4.53m	121	36	41,062
1998: 6,876	£4.67m	122	38	40,865

The college Depute Principal believes that the college will find it very difficult to deliver further efficiency gains as both their academic and support staff cost indices have flattened out. They have achieved efficiency gains over the period but they have reached a point where the demand for their programmes, as indicated by the weighted SUMs, is declining. While the college is attempting to respond to changing client demands it is limited in the type of programmes it can offer and has benefited over a period from the demand for business related programmes.

In relation to performance indicators, Central College is making much more use of them at sub-college levels as an aid to decision-making but there is a perception that the college is restricted by the prescriptive nature of the college 'starter set'. The college is beginning to develop its own bespoke system but wants the SFEFC to recognise college and client diversity in the link between performance indicators and funding .

2. Glasgow College of Food Technology

Glasgow College of Food Technology is the smallest of the three city centre colleges and has followed closely the SFEFC guidance on performance indicators. The key college performance statistics since 1995 are as follows:

Enrolment	Grant	Costs Index (Acad.)	Costs Index (Support)	Weighted SUMs
1995: 2,696	£3.4m	171	74	20,152
1996: 3,692	£3.21m	153	56	21,789
1997: 5,457	£3.1m	130	46	25,100
1998: 5,578	£3.1m	134	44	24,107

Like the other city centre colleges, Glasgow College of Food Technology has achieved significant efficiency gains but will find it difficult to sustain this trend while enhancing quality. Because of the limited central support, academic staff in the college are directly involved in the computation and use of performance indicators for decision-making purposes. The proposed merger between Glasgow College of Food Technology and Glasgow College of Building and Printing would have provided scope for further efficiency gains in the area of support staffing but the merger proposal was rejected by the Secretary of State. The college has high running costs associated with the food and hospitality programmes and believes that the SFEFC should recognise these costs, using improved formulae, in the Grant-in Aid calculation. Performance indicators are still regarded as being mainly for Government but partly for colleges management and staff. The spokesperson did not believe that PIs have any utility for clients and other stakeholders on the evidence of the Glasgow College of Food Technology experience.

3. Glasgow College of Building and Printing

The college follow the SFEFC guidelines and published in their 1998-99 report the following indicators: Post-Course Success Ratio (PCSR); Student Retention Rates (SRR 1 and 2); Student Programme Achievement Ratio (SPAR); Student Achievement by Unit of Learning (SARU); and various Client Satisfaction Data. In 1998-99 the college had a total income of £12.1 million and expenditure of £12. 3 million leaving a deficit of £200,000. The key college performance statistics since 1995 are as follows:

Enrolment	Grant	Costs Index (Acad.)	Costs Index (Support)	Weighted SUMs
1995: 3,280	£5.5m	130	72	39,125
1996: 4,541	£4.48m	115	62	47,189
1997: 6,823	£5.56m	109	48	52,571
1998: 8,769	£6.38m	114	52	51,310

A member of the college Strategic Management team stated that the college had made continuous progress in achieving efficiency gains especially in relation to the academic staff index. Although the support staff index had started to increase the average cost of a member of support staff is about half the cost of an academic member of staff. The performance indicators system is more centralised in Glasgow College of Building and Printing and they have good staffing level in college support services. There is therefore no need to delegate the computation of performance indicators extensively.

Glasgow College of Building and Printing supports Government policy on education and training and its social inclusion agenda. The college student population mirrors

the population of the catchment areas it serves. For the three years from 1995 the college had been preparing with Glasgow College of Food Technology a submission to the Secretary of State to approve the merger of the two colleges. The joint submission by the two Boards of Management was, however, rejected because of the effect the proposed merged college might have on the interests of other Glasgow colleges. Glasgow College of Building and Printing respects the Secretary of State's decision and has made no further submission on the matter. The merger was driven by a Government policy that sought to create competition between further education colleges. The performance indicators system was therefore regarded as being primarily for the benefit of Government in the promotion of competition in further education. The present Government has moved from promoting competition to promoting collaboration and the performance indicators system is not regarded as solely for the benefit of Government. There is much more use of the PI system within the college for internal decision making purposes.

Case Study Conclusions

There is clearly a consensus emerging in the case studies as the city centre colleges have direct experience of the threat that the PI system has brought to college funding and to job security. The PI system, in their experience, promoted efficiency gains in the period from 1993 but these efficiency gains cannot be sustained as staffing costs have been cut to a minimum. Competition was clearly on the Conservative Government's agenda in the period 1993-97 but the Labour Government are less threatening to FE colleges as collaboration has replaced competition and FE has a central role to play in education and training and the promotion of social inclusion.

There is limited evidence of bespoke systems and limited evidence of using PIs for anything other than monitoring and evaluating. There is some evidence of this changing to incorporate target PIs in future Development Plans submitted to the SFEFC.

Chapter Conclusions

This chapter has provided additional empirical evidence on the implementation of performance indicators in Scottish further education. In particular it has sought the views of stakeholders in further education and operational managers to complement the Strategic Management perspective contained in Chapter V. Four stakeholder groups were identified for further analysis.

The internal stakeholders had mixed views on performance indicators. The Association of Scottish Colleges ASC generally expressed similar views to those expressed by members of Boards of Management and college senior managers in Chapter V. The operational managers differed in several respects, in particular they clearly retain a suspicion of prescribed indicators and much prefer the trend towards bespoke suites. The Government, Funders and Audit Agencies clearly favour the PI system from their own perspective and argue for wider benefit to user organisations. The role of PIs is seen as governmental, managerial and consumerist by this group. Few problems are recognised and ownership of the system is shared.

The response of other Government agencies was generally supportive of PIs, especially those views expressed by the HMI. Even this group accepts the constraints of the prescribed suite. The Scottish Further Education Unit has empirical evidence of system failures due to the lack of staff competence in the

computation of PIs. External stakeholders had little to say about performance indicators. The Educational Institute of Scotland is concerned about the adverse effects of PIs on the job security of their members.

Although there were differences within each group there were many more similarities and therefore it is possible to draw conclusions. Utilising the framework of the operational managers' questionnaire.

Stakeholders see the main beneficiaries of performance indicators as those agencies engaged in performance governance activity with lesser (but growing) benefits to college managers at various levels. Performance governance policy and agencies have had the greatest effect on PI system in further education. Most PI systems are very close to the SFEFC prescribed suite and PIs are mainly used for review and evaluation. An interesting development in PIs was confirmed by this survey, that is, PIs are being used to prompt further investigation. On suitability, feasibility and acceptability, different stakeholders have different views but staff and operational manager remain concerned about these aspects of implementation.

Performance indicators are useful to stakeholders but they are often used to allocate blame within a college. More information is being demanded internally and by certain (performance governance) stakeholders. The public policy objectives of PIs remain as performance governance objectives. Prescribed performance indicators are relevant to government, funders, audit agencies and college managers. Change in the PI system at college level is generally the result of external influences for the purpose of promoting government objectives.

Government and Management have benefited from PIs and there is little evidence of students and other clients benefiting. The system has been effectively implemented but there remains scope for further development. The effects and consequences focus on cost consciousness and efficiency gains. Quality and self-assessment is an emerging concern. There is a growing awareness of the potential of PIs as part of benchmarking but there remains concern over user competence in computing PIs. The system may as a consequence suffer from problems of reliability and validity and the robustness of the PI system is in doubt. There remains a suspicion of Government motives in utilising PI data.

On the basis of this research, college managers consider that the prime purpose of performance indicators should be to support college managers in the search for college effectiveness. This is the stated purpose and is in part a real purpose. But additional real purposes, according to college managers, are to promote accountability to stakeholders and to inform funding decisions. Of these two additional real purposes the latter is becoming the prime purpose of performance indicators especially following recent funding announcements. College managers are now a bit more cynical about the multi-purpose nature of performance indicators and question the true purpose of putting performance indicators on the college management agenda. There is little evidence of initiatives on performance indicators being led by college managers despite their empowerment over recent years. Performance indicators were Government led and despite initial positive reactions the attitude of senior college managers is drifting away from commitment towards acceptance. In other words college managers will make use of performance indicators to support them in their managerial roles but recognise that they are, in

part, being imposed on them to promote the Government's agenda for further education. Central government is more concerned about output, total costs and the potential for economies than about the quality and effectiveness of further education. There is a difference between the purposes of performance indicators, as stated by Government, and their real purposes as perceived by practising public managers in Scottish further education.

College managers utilise performance indicators for monitoring and for review and evaluation purposes. There is little evidence of performance indicators being incorporated into development plans as targets for college performance.

College managers value the utility of performance indicators in supporting college decision-making. Indicators can be used as data in a college management information system and as such are very useful to college managers.

Some indicators are more useful than others and those indicators of process and output are the most useful type for college managers. Most managers would like to develop their own suites of process and output performance indicators to supplement those recommended by the SFEFC. Utility would be maximised in situations where managers develop their own performance indicator systems.

While suites of performance indicators address various foci, college managers believe that the SFEFC are more interested in efficiency and output than process, effectiveness, outcome, quality and equity. Funding from the SFEFC represents in excess of 90% of college income and is based on a funding formula based on

output. The SFEFC are therefore concerned about levels of output achieved for a given level of input, in other words the SFEFC's prime concern is for efficiency.

With this manifest concern of the SFEFC to reduce the costs of further education provision, it is no wonder that college senior managers believe that performance indicators are used by the SFEFC to inform funding decisions to the near exclusion of other potential uses. The SFEFC are supported by HM Inspectorate and much of their activity in recent years in relation to performance indicators has centred on unit costs and other measures of efficiency. College senior managers recognise that the Inspectorate remains interested in the totality of further education provision, including process and quality aspects, but nevertheless over the past two years there has been much more activity on performance indicators for efficiency and accountability than for the quality of further education provision.

College managers remain unconvinced that performance indicators provide the type of information required by other stakeholders in further education. The idea that they are marketplace surrogates communicating the same type of information as sales, turnover, market share, prices and profits is strongly refuted by college managers.

The potential beneficiaries are the various internal and external stakeholders in Scottish further education. From this research I must conclude that there are clear direct and indirect benefits from a performance indicator system that is well designed and appropriately implemented.

Internal stakeholders do benefit from performance indicators but not all equally. Much depends on the stakeholders position in the organisation. Managers, strategic and operational, benefit more than other internal stakeholders from performance indicators.

Funder stakeholders benefit from those performance indicators that promote accountability. Most performance indicators will be of interest to funder stakeholders but especially those indicators of efficiency and output. College senior managers expressed some resentment of the fact that funder stakeholders benefit from their efforts and these efforts are not rewarded directly. In many cases, the efforts of senior managers in relation to performance indicators results in a reduction in college funding; a negative reward for their efforts.

External Stakeholders benefit little from performance indicator systems. There is no agreement amongst college senior managers that performance indicators lead to improvement in the quality of further education provision. Therefore there are no direct benefits to external stakeholders, including students, from their use.

CHAPTER VII

THESIS CONCLUSIONS AND RECOMMENDATIONS

Introduction

In this final chapter conclusions are derived from the triangulation of evidence from the literature survey, the Strategic Management empirical data and the stakeholders empirical data to answer the fundamental questions identified in Chapter IV:

What, if anything, does the NPM model tell us about the implementation of performance indicators in Scottish further education?

And

What, if anything, does the implementation of performance indicators in Scottish further education tell us about NPM?

The focus of this research is to consider the role of the performance indicators system in Scottish further education in the light of the literature on performance indicators and to further consider the role of performance indicators in the NPM.

These conclusions on performance indicators and the management of further education add to the body of knowledge on further education management, the body of knowledge on performance indicators and the body of knowledge on public policy implementation.

This thesis, in the literature review, considered five components that collectively represent the current body of literature relevant to this study of public policy on performance indicators and the management of further education in Scotland. In this final chapter conclusion are derived within the following principal section

headings: Performance Indicators and Performance Governance (Section A); Performance Indicators and Performance Management (Section B); Performance Indicators as Marketplace Surrogates (Section C); Answers to the Research Questions (Section D); Trends in the Use of Performance Indicators (Section E); Lessons for Public Policy Implementation (Section F); Recommendations and Further Research (Section G); and a Final Word.

Performance indicators as performance governance emphasises accountability and control and is a 'top down' perspective. Performance indicators as 'performance management', focuses on the strategic and operational management use of performance data. Performance indicators as 'marketplace surrogates', focuses on consumerism, quality and responsiveness and requires the involvement of clients, customers and other stakeholders.

There is some evidence from Chapters V and VI of this research that leads to the conclusion that some college managers are placing an increasing emphasis on getting the indicators right as opposed to getting the management decisions right and using performance indicators data to enhance the quality of college decisions. Performance indicators should not lead college decisions they should be one element in the decision making process. One good indicator does not make a good college. An effective college requires high levels of performance across a range of activities some of which are addressed by performance indicators others may not be.

Performance indicators focus on what is measurable, this conclusion is supported extensively in both the literature and the empirical research contained in Chapters V and VI. There is more to further education provision than measurable items alone. The end must be a quality further education service and performance indicators should merely provide data for a college management information system.

There is little doubt from this research that college incorporation, performance indicators and managerialism have produced some unintended consequences that are counter-productive to the promotion of an effective and efficient further education service. This is supported by both the Strategic Management empirical study (Chapter V) and the Stakeholders study (Chapter VI). A good example of inefficiency is in the need for particular support services to management to be found in every college. When Strathclyde Regional Council controlled its 20 further education colleges it employed a small team of headquarters staff responsible for personnel management in further education. The total number of personnel specialist in further education was no more than five full time officers. Each of the 20 incorporated colleges employs a personnel specialist and in the larger colleges there is usually at least one personnel assistant. The economies of scale are lost in the thrust for creating independent colleges. Local authority further education may have been more efficient and produced a better quality of service to stakeholders.

A performance indicator system has been successfully introduced in Scottish further education. Performance indicators would have been introduced into the management of further education even if colleges had remained under local authority control. College incorporation presented an opportunity to introduce

performance indicators as just another change in college management. There was little resistance to their introduction.

From this research, there is evidence, in Chapter V, that college managers still feel little sense of ownership of the system and this will continue to work against college managers being committed to their use. There remains scepticism concerning SFEFC interest in PIs and their utilisation for funding decisions. College managers can see the benefits of their use for improving the quality of data input to management information systems and the consequent potential for improving management decisions.

The SFEFC's commitment to not publishing league tables of college performance has been welcomed by all college managers interviewed. They regard this as a positive step by the SFEFC but there is no guarantee that such information will not be published in the future.

Section A: Performance Indicators as Performance Governance

The literature survey identifies that many of the UK academic commentators in the 1980s were concerned that there was too much emphasis in the performance agenda on the 'triumvirate of virtue': economy, effectiveness and efficiency' (Pollitt, 1986, pp. 155-170). Collectively, the academic writers were concerned that performance indicators had become tools of government and senior managers in that they were 'top-down', prescriptive, value laden, input and process focused, and predominantly economy and efficiency-led. A particular criticism of the existing

literature was that it did not draw, to any great extent, on empirical studies of performance indicators systems.

The Strategic Management Survey provided evidence that senior managers believe that the PI system in Scottish further education has been introduced to support the political and economic objectives of the Government. The Strategic Management Interview Programme establishes that there is no doubt, in the minds of the interviewees, that the driving forces behind the introduction of PIs in Scottish further education were political and economic. Few of the interviewees believe that quality and responsiveness were behind the PI initiative. The Government wanted to make further education less costly and more business-like and the Scottish Office was responsible for developing ways of implementing this Government policy in Scotland. The College Control Principle was the starting point which led to college incorporation and a range of initiatives to promote business practices in further education including PIs, development planning, commercial activities and staff development and appraisal processes.

Stakeholder perceptions vary on the extent to which performance indicators are tools of performance governance. Internal stakeholders see performance indicators as serving dual purposes. Government, funders and audit agencies maintain the legitimacy of performance indicators as instruments of performance governance as do other Government agencies. External stakeholders recognise the legitimacy of performance governance but retain scepticism about the prime objective of Government's interest in further education performance. Operational managers

accept the need for Governmental interest but support the concerns voiced by academic commentators about the focus on economy, efficiency and effectiveness.

The conclusion must therefore be that performance indicators are primarily tools of performance governance and are perceived as such by most stakeholders. In the early stages of policy implementation there was far too little participation by further education managers and the policy was regarded as a 'top down' initiative with little or no sense of ownership by further education managers. From the mid-1990s there were attempts at increased participation in the developing PI system and this had a positive effect on some senior managers. Operational managers had no involvement in the developing system of PIs and therefore felt no sense of ownership of the system.

Section B: Performance Indicators as Performance Management

In the 1980s, academic writings contained substantial descriptive elements identifying the many ways in which performance indicators were used in public management. Concerns were expressed about the interpretations of the performance indicators data especially the data on schools and hospital performance. Much of the writing guiding public managers on performance indicators as performance management has emerged from government agencies such as the Accounts Commission (Audit Scotland), The Scottish Office, The National Audit Office and the Audit Commission each advocating particular approaches to the management of performance indicators systems. Audit Scotland in 'Planning for Success (1998), create a five point framework comprising: setting the direction; strategic analysis; making it happen; checking progress; and doing

better. They also advocate the use of Kaplan and Norton's (1996, pp. 75-85), 'Balanced Scorecard' approach which links organisational vision with communication, business planning, feedback and learning.

The Strategic Management Survey and Interview Programme identified that It may well be that more systematic systems of performance assessment linked to strategic management and underpinned by competent decision-takers will deliver enhanced organisational effectiveness. The Stakeholders Survey and Interview Programme identified that, although the strongest stakeholders (Government, funders and audit organisations) tended to shape the roles and content of PI systems in the 1980s and early 1990s, this trend is changing as managers exert more influence on how their organisation and their individual performance is to be assessed. Management development is urgently required to support college managers at all levels.

Section C: Performance Indicators as Marketplace Surrogates

Performance indicators as marketplace surrogates continues to be a concern of academic writers who have gone beyond client perception to stakeholder and citizen perceptions of public service delivery. There was a need to change their emphasis to involve public managers, clients and other stakeholders in performance assessment systems that focus on output and outcome, effectiveness, client perceptions and quality. This transition from performance governance and performance management to consumerism is reflected in academic writing of the latter part of the 1980s and into the 1990s. The literature tends to advocate a different approach to performance assessment and performance indicators with concerns for economy, efficiency, process and output being substantially replaced by advocacy for

effectiveness, outcome, consumerism, equality and quality. In addition to academic literature, government agencies were also advocating a change but their change tended to see the revised performance assessment system as retaining the performance governance focus and adding further elements of performance management with a concern for change management and human resources management; consumerism, quality and responsiveness.

There is little empirical evidence from the analysis of performance indicators in Scottish further education that would lead to the conclusion that clients are exercising their rights as consumers of services to utilise performance information to inform choice. Therefore performance indicators appear to provide an input to internal quality systems but not to external responsiveness and do not act as a 'marketplace surrogate'. Much of the contemporary literature addresses the issue of improving the performance assessment systems through the use of participative approaches by managers both internally and externally. Ownership, quality and responsiveness are common themes in the literature. Implementation studies focus on improving systems of performance assessment largely through the development of more people-centred systems that encourage participation and ownership. The environment of performance assessment has not radically changed since the mid-1980s and, despite a change in government, there remains a concern for accountability and value for money and thus an interest in performance assessment and performance governance therefore remains a key item in the performance agenda.

Tichelar (1998) found that many performance assessment systems still contain a substantial number of indicators that public sector organisations must utilise and consequently report. The audiences for such reports include: government; funding agencies; auditing agencies; client groups; stakeholders; and the general public. However, there is a discernible trend towards supplementing the required prescribed indicators by indicators that are much more focused on performance management and consumerism (Hatry, Gerhart and Marshall (1994) and Meekings (1995). Tichelar (1998) and Ball (1998) note that Best Value Regimes (BVR) will require much more comprehensive reporting of performance to all stakeholders.

The Strategic Management data in Chapter V and the Stakeholders data in Chapter VI do not provide evidence of PIs as a marketplace surrogate. The role of PIs at present is restricted to performance governance and performance management.

Section D: The Answers to the Research Questions

This research set out to answer the following fundamental questions concerning performance indicators and public policy. This research has provided answers to all of them and therefore has added to the body of knowledge on performance indicators, public policy and its implementation and public management. These questions are briefly revisited with overall concluding commentary.

The focus of this research is to consider the role of the performance indicators system in Scottish further education in the light of the literature on performance indicators and to further consider the role of performance indicators in the NPM.

1. What, if anything, does the NPM model tell us about the Implementation of performance indicators in Scottish further education?

The evidence clearly indicates that there are multiple beneficiaries of PIs but Government, funders, government agencies and college managers at various levels benefit most. There is no evidence from Chapter VI of wider stakeholder benefits derived from the performance indicators system.

Managerialism in Scottish further education, on the basis of the evidence of this research, is accepted as a necessity for an effective further education system. The environment of public management necessitates managerialism as decision-making is delegated and decentralised.

The evidence clearly indicates that Government, funders and government agencies have always benefited from PIs. But from the late 1990s college managers, at various levels, began to benefit from the internal use of performance indicators and improved management practices. This research has demonstrated that the perceptions of managers and stakeholders is dynamic and has changed over the period from 1993 and further education college incorporation. The attitude changes are closely linked to the process of public policy implementation and to the personal experiences of the managers and stakeholders

The evidence of this case study of the further education system clearly indicates that there has been partial policy implementation failure in that there has been passive resistance to change from managers and other stakeholders. In relation to public policy on performance indicators, the policy has been effectively implemented as all

colleges, the SFEFC and the Scottish Executive use performance indicators extensively. The extent to which the policy has been implemented as intended remains open to debate. The policy outcome is very different from the intentions of the early 1990s and this may support the 'bottom-up' view of policy as determined by the actors responsible for implementation. However, there remains a strong 'top-down' influence certainly on the initial policy formulation and on its early implementation. The public policy has evolved since the 1990s and will continue to do so. If the public policy objective was to establish PIs in further education without being too prescriptive then it has succeeded. Lessons can be learned from this study to inform changes in policy formulation and policy implementation. The delay and partial failure in part is attributable to poor policy design but is also attributable to the inadequate consideration of the policy-action continuum in the context of the changing nature of public management.

The answer to this first question requires an answer that utilises the framework of Hood's 'Doctrinal Components' of NPM.

The 'unbundling of the public sector into corporatised units organised by product' component is justified by the advocates of the NPM on the grounds that it allows public sector units to become more manageable and to focus blame. The operational significance of this includes the erosion of single service employment and devolved budgets. The implementation of the system of performance indicators in Scottish further education was a necessary part of this 'unbundling' process. Colleges moved from local authority control to individual college incorporation. To achieve this the Government had to have a means of monitoring the performance of

each individual college and to allow cross college comparisons. Therefore there was a need for a standard suite of PIs. The NPM model necessitates the retention of control by government and funders. For college incorporation to work there had to be a system of performance measurement.

The 'more contract based competitive provision with internal markets and term contracts' component is central to 'public choice theory' as it is based on an assertion that rivalry is the key to lower costs and better standards with contracts as the key to explicating performance standards. There has to more stress within the public service on identifying costs. The initial changes in Scottish FE in the mid-1980s focuses on the costs associated with further education provision. In order to accommodate the component there has to a means by which costs can be identified by providers and funders. This therefore requires PI systems which incorporate unit costs data. The prescribed suite did this.

The 'stress on private sector styles of management practice' component requires the application of proven management tools in the public sector. The implication here is on a range of management tools and techniques. Performance measurement is only one such tool but is nevertheless an important one.

The 'more stress on discipline and frugality in resource use' component is about cost-reduction and efficiency gains. This was clearly a concern of many academic commentators writing about the performance indicators systems of the 1980s. This focus on economy and efficiency is aided by performance measurement systems that have a capacity for focusing on inputs and outputs.

The 'more emphasis on visible hand's-on top management ' component requires more active control of public organisations by top managers who are known to the organisation's members and who make use of discretionary power. In order to exercise control such managers require performance management systems that incorporate performance indicators.

The 'explicit formal measurable standards and measures of performance' component requires performance indicators and audit as the key tools by which this component is introduced.

The 'greater emphasis on output controls' component attempts to control public organisations in a more 'homeostatic' style according to pre-set output measures. These target output measure must be compared to measures of actual output achieved through the use of performance indicators.

The NPM model therefore tells us that in order to facilitate the key components of NPM a public sector organisations must have in place a system of performance indicators. In relation to Scottish further education, the various changes experienced by the system in the 1980s and 1990s were clearly part of the NPM being introduced throughout the UK public sector. The PI system was initially developed for use by government and funders as a tool of performance governance, a necessary tool for an effective transition to a public service that displayed the characteristic features of the NPM organisation. Effective implementation had to take place at an early point in the move to further education college incorporation. This was the plan of government implemented by the Scottish Office and the HMI. The system of

performance indicators could have been implemented earlier and more effectively but college managers resented the 'top-down' approach of the Scottish Office.

2. What, if anything, does the implementation of performance Indicators In Scottish further education tell us about NPM?

The implementation of performance indicators in Scottish further education was achieved because without it the range of changes in Scottish FE provision desired by the government of the day could not have been fully realised. NPM need performance indicators but performance indicators do not require NPM for their effectiveness. If the government and funders are change agents in the public sector that change can be achieved.

The implementation of PIs over the 10-year period of this study reveals changes in stakeholder perceptions. Initially the system was very much performance governance led with clear evidence of 'top-down' public policy and a focus on economy and efficiency. Gradually there emerged 'bottom-up' elements with the greater use of consultation and joint working parties. The PI system slowly changed to embrace effectiveness and quality indicators. This could be considered to be a reflection of a softening of the NPM. NPM is not a rigid static paradigm, it developed in different ways in different countries. This study reveals that NPM developed in different ways within the UK. Some areas of the public sector were subject to much more contract based competitive provision than Scottish further education.

The Scottish system is subject to a range of environmental influences as is the performance indicators system and indeed the government of the day. This study

confirms that changes did take place in the PI system the resulted in changes in stakeholder perceptions of PIs and managerialism in Scottish FE. The implementation of the PI system over a 10-year period reveals a link between performance monitoring and management and the nature of the NPM. The PI system is itself a good reflection of dominant ideologies and government policy. The Blair Governments have moved back from the 'New Right' version of NPM and this is reflected, among other things, in the features of the PI system and in its implementation. NPM in the UK today has changed in response to local, national and global influences. The implementation of PIs in Scottish FE reveals that the NPM has moved to incorporate stakeholder pressures. The PI system in Scottish FE now clearly displays features of performance management and performance governance but there remains little evidence that consumerism, quality and responsiveness are real features of the system. It may be that there is a time lag between the PI system, stakeholder perceptions and changes in the NPM. There is obviously a desire on the part on many governments to modify the NPM components to adjust to changing environmental circumstances. The implementation of PIs will be a good indicator of the extent to which NPM has changed. When PI system develop to further accommodate consumerism, quality, responsiveness and policy outcomes and stakeholder perceptions regard the PI system as embracing all three potential uses of performance data, then the NPM will have changed. The 'Doctrinal Components' will have been modified not by performance indicator but by the changing context of public policy and public management.

This research provides empirical data that leads to the conclusion that the performance indicators system in Scottish further education has always been

perceived as a system of performance governance and, in order to comply with its requirements, there has to be a system of performance management operating within colleges. Systems of performance management are in the early stages of development in colleges and management development is required to make them more effective. Performance management will promote improvements in further education quality and responsiveness and this in turn will enhance the service and the value its clients and stakeholders derive from it. There is no evidence that the PIs system is a marketplace surrogate enhancing consumer choice, quality and responsiveness. The acceptability of PIs has increased although there remain concerns amongst college managers that the public policy process has not kept in step with changes in public management (process drift).

Section E: Trends in the Use of Performance Indicators

The combination of research from secondary sources and empirical work leads me to conclude that there are a number of discernable trends in the use of performance indicators in public management. These are as follows:

1. From Performance Governance to Performance Management

There is less emphasis on prescribed indicators from Government, Funding Agencies and Audit Agencies and more emphasis on self-assessment and self-evaluation by public organisations. This movement is gradual but is becoming evident from the Operational Managers data in Chapter VI.

2. Post-Control to Concurrent and Pre-Control

There is much more use of performance indicators for monitoring organisational activity on a regular basis. Performance indicators are beginning to be used for planning purposes. There remains an interest in the summative assessment of annual performance through a prescribed suite of performance indicators. There is little evidence of managerial experience in the use of PIs as a planning tool.

3. Value for Money to Value Added

There is a growing interest in the contribution of public sector organisations to the economy and to society. Government wants to know what the population gains from the use of public resources. If there is little or no tangible benefit then perhaps resources could be deployed elsewhere. This is a movement away from economy and efficiency to a concern for the quality of output and outcome. This trend reflects the diversity of FE provision.

4. From Dials to Tin Openers

There is less emphasis on the annual 'snap shot' of an organisations performance as seen through aggregated statutory performance indicators and more use of sets of dis-aggregated performance indicators which prompt further investigation by operational and strategic managers. This was clearly revealed by the Operational Managers data. Performance indicators of sub-organisational activity and intermediate stages in the further education process such as mid-session assessments can highlight deviations from performance standards expected and thus prompt further investigation and remedial action. This is an illustration of performance indicators as 'tin openers'. Most PI systems retain 'dials' for

accountability and review purposes but are developing more and more 'tin openers' for management concurrent control.

5. Published 'League' Tables to Confidential Benchmarking

Less use of published 'league' tables of performance achieved against prescribed indicators and more use of confidential benchmarking of processes and performance achieved. This is done in an effort to create awareness of existing performance standards and to prompt action toward maintaining and improving relative performance. This requires networking between colleges and has been aided by the change of Government policy from competition to one of encouraging co-operation and collaboration. This research has shown the college managers value information from other colleges and do not see any benefit in publishing college PIs as most would be meaningless to clients and other general stakeholders.

6. Public Policy to Strategic and Operational Management

Less concern for the way in which in which policy is implemented provided policy objectives are being achieved. Performance indicators therefore need to be limited for the purposes of accountability and control but developed further for strategic and operational managers. This trend is at a very early stage of development but represents the aligning of the policy process with developments in public management. Decentralisation and delegation must be supported by devolved decision-making.

7. Use Within a System to Use by Stakeholders

The original channel of communication for PIs was between Government, funders and service providers. The publication of performance information to stakeholders was originally problematic as many stakeholders had difficulty in interpreting performance indicators. In recent years the trend has been to make the performance indicators easier to understand but as yet there is little evidence of their use to inform clients and stakeholders. In further education there was never any dissemination of performance beyond the Government, The SFEFC and the HMI. Acceptable forms of disseminating performance information are being developed by colleges and funding bodies.

8. Enhancing the Competence of Users

There is a growing recognition that benefits will only accrue to users of performance indicators if they develop competence in their use as management tools. This trend has been slow to develop and only in recent years has the need for training and development in the use of performance indicators been recognised. Unfortunately there has been little evidence of support for such training and development from Government, Funders and Audit Agencies. The publication of guidance notes is an inadequate response to widespread gaps in competence. There has to be systematic management development for all levels of college management funded by the SFEFC. The Scottish Executive, in 1999, commissioned a study of management in further education but the results are not as yet in the public domain.

9. Improving the Management of Performance Indicators Information

The trend in recent years has been to develop management information systems to promote more effective processing of performance data. In addition there are

concerns about the reliability and validity of performance data. Recent research by the Scottish Further Education Unit identified inconsistencies between colleges in relation to the method of calculating particular performance indicators thus making meaningful comparisons impossible. There has to be a system-wide review of college management information systems and training for operational and strategic users of such information.

10. Accommodating Diversity

Public sector organisations pursue a diverse range of missions in different environmental circumstances, utilising a range of staff competencies, in order to meet policy and strategic objectives, while satisfying discrete client and stakeholder expectations. The complexity of public organisations makes the use of a prescribed set of national performance indicators inappropriate as such a set cannot hope to accommodate such diversity. The trend is to develop bespoke suites of indicators that are appropriate to the particular circumstances of each public sector organisation. For example, students with learning difficulties may never achieve all the modules required for attaining a named programme award and they may never gain employment, but they can have their lives enhanced by developing a range of competences that better helps them cope with life in our society. The performance of such students has a detrimental effect on current further education performance indicators but their particular circumstances must be recognised and their learning requirements supported. The contribution of such programmes contributes to the needs of society and to the social inclusion agenda and therefore should be reflected somewhere in the measurement of an organisation's performance.

Bespoke suites of indicators can do this and there is a high level of interest in this trend.

Section F: Public Policy Implementation

The themes emerging from the recent implementation studies are many and varied. These themes have changed over time to reflect the changing context of public management. The literature identifies different perspectives on implementation.

1. Implementation Perspectives

One perspective is the 'top down' interpretation of implementation with advocates such as Hogwood and Gunn (1984). This perspective accepts the validity of the goals of policy makers and their capacity to make them explicit (Hill, 1993, pp. 235-237). A second perspective casts doubt on the previous assertion and identifies problems with the 'top down' perspective. Hjern and Porter (1981, pp.211-217) question whether policy makers really want to, or are able to, set clear policy goals. Where goals are set, they develop over a period of time from a range of initiatives and as such complicate analysis. This leads to the situation where a better understanding of the policy is gained by focusing on the action that results from the policy rather than stated or implied policy objectives. A third perspective challenges the view that public policy objectives should be formulated at the top. It suggests that, in many circumstances policy is better coming as a product of negotiations between policy implementors and clients and other stakeholders affected by policy.

This study provides evidence to conclude that public policy on performance indicators and the management of further education in Scotland was not a product of

negotiations between implementors (FE college management), clients and other stakeholders. There is also evidence from both the Strategic Management Survey and Interview Programme and the Stakeholders data that 'top down' perspectives may be inadequate in explaining the implementation of performance indicators in Scottish further education. The Scottish Office did not establish clear goals for the performance indicators policy nor did they appear to have the capacity to make them explicit. The goals were interpreted by various groups as being to promote greater economy and efficiency in further education services. Yet, rhetoric from Government was about the potential to enhance the quality of further education provision. In this study a better understanding of the policy is gained by focusing on the action that results from policy rather than stated or implied policy objectives. This form of policy analysis provides a much better insight into the policy-action relationship. Successful implementation was not achieved because the policy objectives were unclear and college management lacked competence in performance management and in the management of performance indicators systems. Partial implementation was achieved because college managers at various levels began to see the benefits of PIs and Government and Funders became less prescriptive in their PI reporting requirements.

2. Implementation as Organisation Development

This case study of Scottish further education appears at first to support the model of "Implementation as Organisation Development" (Elmore, 1978, pp. 185-228) because in this model the implementation process is one of consensus building and accommodation between policy-makers and implementors. The Scottish Office publications appear to seek to develop a consensus between themselves and

Scottish further education. But the reality, as evidenced by the empirical research, is that policy-makers and senior civil servants manipulated the behaviour of implementors using hierarchical control over resources. The Scottish Office and the SFEFC rely on the standard techniques of hierarchical management including requirements for annual development plans, control of Grant-in Aid, annual reports and HMI inspections. This is more akin to Elmore's model of implementation as bureaucratic process (1978, pp. 185-228). In the changing environment of public management there has to be better alignment between the public policy process and the expectations of public managers.

3. Success or Failure ?

The public policy on performance indicators in Scottish further education can be regarded both as a success and as a failure. If the objective was to make colleges more efficient then it has been a success. If the objective was to make colleges more responsive then it has been a success. If the objective was to improve the management of further education services then the policy has been a failure. If the objective was to improve the quality of further education services then the policy has been a failure. Implementation failure is the result of a failure on the part of policy-makers to understand the actual conditions under which further education services are delivered. Few internal stakeholders in further education believe that at this point in time the further education service is providing an improved learner experience. Further education in Scotland is much more efficient than it was 10 years ago and this efficiency has allowed colleges to respond to Government employment and training initiatives. The 'report card' on this policy would have to

conclude that further education has achieved some success but there is scope for improvement in quality and management.

4. Contribution to Knowledge

In terms of adding to the body of knowledge on public policy implementation, this case study shows that in the changing world of public management the tools of public policy implementation are slow to change. This case study of performance indicators and the management of further education clearly demonstrates a 'top-down' approach to policy formulation and implementation over a 10-year period on the part of Government and funders. But the failure to achieve in certain policy objective areas must lead to the conclusion that there are lessons to be learned that could inform policy formulation and implementation. Public managers are required to exercise managerial discretion in their performance management activities and are developing management competences. Part of the knowledge and understanding underpinning managerial competences relates to strategic management and the management of change. Public managers are encouraged to think strategically and to promote the effective management of change through participative styles of management and consensus seeking. Yet, public managers still find their relations with central government, government agencies and funders to be that of principal and agent. Public managers still have little discretion, as their activities are pre-determined by Government policy and limited by official guidelines. They remain accountable to Government for their actions. Public managers are 'mandated' managers.

5. Process Drift

This case study illustrates the ways in which public policy implementation practice is lagging behind develops in many areas of public management. As a consequence of this inertia, the public policy process experiences what I term '**process drift**'. Based on the concept of strategic drift, this occurs when the context and environment of public management is changing and as a consequence public management adapts over a period of time to these changing circumstances. However, the public policy process does not adjust and public managers still find themselves responsible for the implementation of a policy that they have no sense of owning. The important concern is that the expectation of public managers has changed and there is an inconsistency between this expectation and the public policy process. Performance governance is changing at a much slower rate increasing the 'gap' between public management's expectations and the reality of the public policy process. This case study is not unique and this *public policy process drift* is found in many areas. The solution becomes more radical the longer the drift develops. What would have been an incremental change in the policy process 10 years ago is now a major change to bring the public policy process back into line with public management expectations. The domination of performance governance requires implementation to remain as a bureaucratic process but it should be fully embracing the changing nature of public management.

Further education managers should have been more involved in college incorporation and the development of performance indicators. Had this been done then there would have been a greater sense of ownership of the FE system and consequently more commitment to the changes and less resistance. This combination is more likely to achieve successful implementation.

6. 'Top-Down' or 'Bottom-up'

The contribution to knowledge made by this thesis is in the area of public policy implementation. The 'top-down' perspective of Hogwood and Gunn remains a partial description of the true process. The 'bottom-up' perspective is also a partially accurate description of the reality of the policy/action continuum. This study has shown that stakeholder perceptions vary as to the purpose of performance indicators and these perceptions impact on the development and utilisation of performance indicators systems. There is no doubt that performance indicators serve a variety of purposes and for a fuller understanding of their utility you must consider the perceptions of PI users. This research has fully considered a range of stakeholders and their perceptions and therefore produces, in its analysis, a more comprehensive and accurate account of the implementation of the performance indicators system in Scottish further education.

Previous academic and other studies have been less comprehensive and more descriptive with limited account taken of the experiences of performance indicators post-introduction. This was an obvious gap in the existing literature that has been addressed by this research.

7. PIs as Tools of Stakeholders

The research findings indicate that there cannot be one set of performance indicators that serves the needs of all stakeholders. 'Top-down' approaches create user- problems, as there is a lack of ownership of the PIs. This lack of ownership is reflected in the consensus that PIs are mainly for performance governance. Public

managers must appreciate that performance governance is a legitimate concern of Government, funders and audit agencies and must be supported through systems of accountability and control. Performance indicators systems must be developed to accommodate the requirements of performance governance, performance management and consumerism. This may necessitate the development of comprehensive suites of indicators with different combinations of indicators for different stakeholder purposes. More effort has to be put into the development of such suites and to their utilisation as 'tools of stakeholders'.

8. Understanding Effective Implementation

This research has shown that, in order to assess the effectiveness of public policy, you must consider the policy intent and compare that to the policy consequences in the form of outputs and outcomes. This requires the identification of:

- intent as expressed by policy formulators and those responsible for performance governance;
- the perceptions of implementors i.e. those responsible for policy management (performance management) at different organisational levels; and
- the views of other stakeholders.

Only then do you gain a comprehensive understanding of public policy implementation. Previous studies have tended to focus on the academic interpretation of policy success or failure without promoting the greater objectivity of stakeholders perceptions. In the changing environment of public management the

way ahead for public policy implementation studies must be to consider all those stakeholders with a legitimate interest in a particular public policy.

This contribution to knowledge has wide implications for public policy analysis and addresses the divergence of opinion over the 'best way' to understand public policy. Public policy implementation cannot be fully understood by the utilisation of either the 'top-down' or the 'bottom-up' perspectives or indeed the utilisation of both. Each is partially right and both are therefore necessary to gain an understanding of public policy. But neither is sufficient on its own, nor is the combination of both sufficient to gain an understanding of public policy in the context of the changing nature of the environment of public administration and management. What is required is an approach that considers all stakeholder perceptions in relation to public policy objectives, policy outputs and policy outcomes. This is a sufficient approach to deliver an improved understanding of public policy and its implementation and it is this conclusion that is derived from the study of performance indicators in Scottish further education.

9. Policy Prescription

This study illustrates that there remains a need for the analysis of public policy implementation to learn from description and to inform academics, policy formulators and policy implementors by prescription. There are several prescriptive messages derived from this research. Firstly, the consideration of multi-stakeholder perceptions adds to our understanding of public policy implementation. Secondly, there is widespread public policy 'process drift' caused by a conflict between the needs of performance governance and the wants of performance management. In

order to address this public policy formulators and implementors have to recognise the potential for 'process drift' and the legitimacy of the interest of other stakeholder groups. The existing literature does not recognise the need for greater empathising by stakeholders. If stakeholder groups had a greater appreciation of the legitimate interests of other groups, then accommodations could take place between them resulting in diverse interest being reflected in diverse suites of performance indicators. Performance indicators would become tools of performance governance, tools of performance management and tools of other stakeholders, communicating aspects of accountability, strategic and operational management, consumerism, quality and responsiveness. The fundamental message is that the public policy process should be more dynamic and responsive to the changing context of public management while retaining its distinctiveness. Public managers must accept that they are substantially mandated to provide specified public services.

10. The Need to Develop PI Management Competence and More 'Ideal' Indicators

This research has identified that there is a lack of competence at college level in the development and utilisation of performance indicators. This problem could in part be helped by college staff at various levels gaining a better understanding of performance indicators in further education and their utility to college stakeholders. The concept of the 'ideal' indicator may help enhance understanding and competence. The 'ideal' performance indicator is not achievable but represents a

'perfect' model for informing debate and discussion. Such an indicator would display the following characteristics:

The indicator is understandable to its users; it informs users in a timely manner and is one of a set. The indicator measures deviation (the direction of the change from the planned position which has taken place) and the pace of that change. The performance indicator is acceptable to its users, sensitive to significant changes and makes use of data that are easily accessible. The data generated are usable, reliable, valid and economic to use. The performance indicator is unambiguous, accurate and fully meets its users' specification, providing a positive experience to those who use it. The performance indicator is free of bias and value-judgement and is capable of aggregation and disaggregation. The performance indicator is cost-effective to use, serves an organisational purpose and remains relevant to its users. The performance indicator is forward-looking, relatively permanent and transparent. It is the product of co-operative efforts thus promoting a sense of ownership. The data generated by the performance indicator are quantitative and qualitative and facilitate comparisons internal and external to the organisation.

The weaknesses of many indicators are that they fail to meet a considerable number of these 'ideal' characteristics.

Public managers could utilise the 'ideal' indicator concept by comparing their bespoke indicator suites with the 'ideal' indicator and identify the aspects of non-compliance with the 'ideal'. This should inform the managers of the potential

weaknesses of their suites and should enable them to adjust their PIs to make them more like the 'ideal' wherever possible. Even if they cannot adjust their indicators, the managers would be more aware of the weaknesses of their indicators and should bear the weaknesses in mind when interpreting the PI data.

Section G: Recommendations and Further Research

From this study of the Scottish further education system a number of conclusions have been derived. These conclusions inform recommendations for the consideration of government, government agencies and public managers generally and for the consideration of further education managers specifically.

1. General Recommendations

Beginning with the general recommendations, if public managers implement public policy, then policy makers and implementors must better understand each other. There is a need to integrate theory in public policy analysis with management theory, contextualised for public managers, to inform public policy and its effective implementation and to truly reflect the context of today's public management environment. Knowledge of policy analysis is necessary but not sufficient. Knowledge of management theory is also necessary but not sufficient. Policy formulators (Government and Government agencies) and policy implementors (strategic and operational public managers) must have knowledge and understanding of public policy and management theory in the context of public management.

What is needed is a public management development programme that integrates the two perspectives. Such a programme could draw on good practice from within and outwith the public sector to promote innovations and to reflect the changing nature of public management. Core elements of this proposed management development programme would be: Public Policy Analysis; Public Management; Strategic Management in the Public Sector; Public Marketing; Stakeholder Analysis; and Managing Change.

In recent years policy analysis and the policy process have dropped out of public management development programmes and there has been an overwhelming movement towards generic management development. This movement ignores the unique elements that are central to public management and loses the underlying public service ethos. Policy analysis should be retained but it must also be updated to reflect the changing relationship that exists between Government, Government agencies and public service providers.

2. Specific Recommendations

Specific recommendations are also included here for the benefit of those involved in the use of performance indicators in public management. Performance indicators systems have the potential to be multi-purpose. They can serve the needs of Government and its agencies in promoting effective performance governance. Performance indicators systems can be 'tools of managers' by improving management decision-making and thus promoting performance management. Performance indicators systems can also aid the enhancement of quality and responsiveness and can act as a limited 'marketplace surrogate'.

Government and government agencies, public managers and stakeholders now recognise the changing public management context in which they operate and should strive to create real partnership in their relationships. They should also look to the model of the 'ideal' indicator to guide their deliberations on the development of bespoke suites of performance indicators that reflect organisational and client diversity.

3. Further Research

Implementation studies reflect the problems identified in the public policy implementation literature. Problems can arise for a variety of reasons. Sometimes the problem is the performance indicators system - sometimes the problem is a result of the implementation strategy and difficulties in the management of change - ; and sometimes the problem is 'bad luck'.

The studies to date have not considered to any great extent stakeholder perceptions of performance indicators systems. There has also been insufficient analysis of the managerial implications of performance indicators systems. Further empirical research should focus on the changing relationship between public policy formulation and its implementation in the public sector organisations of today. The question of the extent to which delegated powers of decision-making change the 'policy-action' relationship is part of this changing relationship and is worth further attention from academics. In particular, research should move towards engaging with stakeholder perceptions to enhance policy analysis.

Had this researcher had more time there would have been further empirical work carried out in relation to policy outcomes and performance indicators. Such research would consider the differential impact of NPM through an examination of the way in which performance indicators systems evolve in public sector organisations.

The further education service as a whole is under-researched and should therefore provide a rich source of empirical evidence as an aid to enhancing knowledge of this important public service area. Contributions to knowledge in this area can add to the effectiveness of public policy in lifelong learning and other policy areas; and to the effectiveness of further education colleges. Policy implementation studies have been neglected in recent years and this should be addressed by academics as a matter of urgency. There is a need and a demand for policy implementation expertise and this can only come from empirical policy implementation studies that recognise the changing environment of public policy and public management.

This study has taken the research issue forward but presents a limited view of performance indicators and public policy implementation. Further research, which takes forward the theories formulated by this study is possible and desirable. In this study, perceptions of public managers in further education to performance indicators changed over time. It would be interesting to extend the research to other areas of the public sector where managers and stakeholders have experience of PIs and indeed to public/private studies of performance indicators. By comparing the findings of such studies to the findings of this study you could derive conclusions that impact on the wider field of public management. Further research could build

on this qualitative study by introducing quantitative analysis to increase the scale of the study and derive more powerful conclusions.

A Final Word

In the 1980s performance indicators should have carried a Government Health Warning as few public managers could see any benefit from their use. More and more public sector organisations are making greater use of performance indicators and, although not without difficulties, this trend is becoming the norm. As competence in the use of performance indicator grows, more public managers regard them as essential to their managerial roles and could not do without them.

The effort-reward relationship in public sector organisations has radically changed over the last 20 years and there must come a point when the priority of Government and Funders is to restore an appropriate balance in this relationship. As part of this restoration, performance indicators must be seen as an essential tool of performance management and not a means of exercising greater control over public managers. If this can be done then the perception of performance indicators will change. Performance indicators can help public sector organisations not to be run like a business but to be 'business-like' in their activities and thus to 'do well while doing good'.

Policy objectives were not fully realised as intended by the public policy on performance indicators in further education, but PIs prevail as they become embedded in the further education system. They are now clearly tools of performance government and tools of performance management despite some

resistance from college managers at various levels. If they are also to become marketplace surrogates, then this will only be achieved through cooperation and collaboration between Government and its agencies, public managers and stakeholders in the various public service areas.

There is no doubt in the mind of this researcher that PI systems are an excellent reflection of the changing nature of New Public Management. By examining the content of PI systems and their implementation you can gain an informed understanding of the way in which the components of NPM are changing. The NPM of the 1980s is not the NPM of today. The paradigm is dynamic and necessitates a changing performance indicators system to support its effective implementation.

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APPENDICES

APPENDIX 1:	SENIOR MANAGEMENT SURVEY
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APPENDIX 1: SENIOR MANAGEMENT SURVEY

Appendix 1: Senior Management Survey Results

Introduction

The Survey Questionnaire (see Appendix B) was sub-divided into four matrices (A-D), focusing on different aspects of PIs in Scottish further education as follows:

- Matrix A - Purposes of PIs
- Matrix B - Beneficiaries of PIs
- Matrix C - Acceptability of PIs
- Matrix D - The PIs System's Implementation

In Matrices A-C nine PIs were used for each statement thus allowing the respondents to differentiate their response to each.

Conclusions were derived from a statistical analysis of the responses to each statement, taking into account the distribution of responses from the 40 respondents. Each statement required a numerical response by entering a number between 0 and 5 corresponding to the following views.

- 0 - Don't Know
- 1 - Strongly Disagree
- 2 - Disagree
- 3 - Neither Disagree nor Agree
- 4 - Agree
- 5 - Strongly Agree

The response "Neither Disagree nor Agree" was intended to be used by those respondents who reported a view describing an intensity of attitude, which was neither negative nor positive. The scoring of a 3 therefore corresponded to a neutral response.

Survey Analysis

Matrix A contains 12 statements. Further education managers were invited to respond to each statement (12) for each indicator (9), a total of 108 responses. Matrix B contains 10 statements with nine indicators for each statement, a total of 90 responses. Matrix C likewise makes use of 10 statements for nine indicators, a total of 90 responses. Matrix D does not make use of the indicators and therefore only required one response to each of its ten statements, a total of 10 responses. Therefore the questionnaire as a whole invited 298 quantified responses.

The numerical responses invited have a relationship one to the other concerning the extent to which the respondent agrees or disagrees with the given statements. The scale 0-5 incorporates the relation "greater than" ($>$). This relation is irreflexive, asymmetrical and transitive. Since any order-preserving transformation does not change the information contained in an ordinal scale, it does not matter what numbers are given to a pair of classes or to members of those classes provided that a higher number is given to the members of the class which are "greater" or, in this case, represent a stronger level of agreement with the given statement.

The statistic most appropriate for describing the central tendency of scores in an ordinal scale is the median. With ordinal scaling, hypotheses can be tested by using non-parametric statistical tests. In matters of opinion those who are classified as "agree" and "disagree" may be thought to fall on a continuum. Some who score as "agree" are actually not very concerned with the issue, whereas others are strongly convinced of their position. Those who "disagree" include those who are only mildly in disagreement as well as die-hard opponents.

Parametric statistical tests, which use means and standard deviations (i.e. which require the operations of arithmetic on the original scores), ought not to be used with data in an ordinal scale. When only the rank order of scores is known, means

and standard deviations found on the scores themselves are in error to the extent that the successive intervals (distances between classes) on the scale are not equal (Siegel 1956).

The non-parametric statistical test used to analyse the questionnaire is the Kolmogorov-Smirnov One-Sample Test. This is a test of goodness of fit. That is, it is concerned with the degree of agreement between the distribution of a set of sample values (observed scores) and some specified theoretical distribution. It is used in this case for determining whether the scores in the sample can reasonably be thought to have come from a population having the theoretical distribution. The test involves specifying the cumulative frequency distribution that would occur under the theoretical distribution and comparing that with the observed cumulative frequency distribution. The theoretical distribution represents what would be expected under H_0 , the null hypothesis. The point at which the two distributions, theoretical and observed, show the greatest divergence is determined. Reference to the sampling distributions indicates whether such a large divergence is likely on the basis of chance. That is, the sampling distribution indicates whether a divergence of the observed magnitude would probably occur if the observation were really a random sample from the theoretical distribution.

The number of responses to the questionnaire did not require the respondent's college to be named but the former education authority was identified by the questionnaire. Responses were received from colleges in all of the mainland education authorities and from a college in one islands authority. The questionnaires were targeted, through a letter addressed to the Principal, at Senior Managers with responsibility for the college's PIs system. All questionnaires returned were left unopened and the college stamps on the envelopes confirmed that only one response had been received from each college. I therefore concluded

that the 40 responses were from 40 different colleges from Scotland's 43 colleges of further education giving a response rate of 93%.

Using the Kolomogorov-Smirnov One-Sample Test three hypotheses were formulated as follows:

- 1. The Null Hypothesis **Ho**, is that there is no difference in the expected number of choices for each rank and any observed differences are merely chance variations to be expected in a random sample.

The expected frequencies for N=40 are

0	1	2	3	4	5
6	7	7	6	7	7

Such a frequency distribution indicates that there is no consensus for agreement or disagreement with the given statement.

- 2. Alternative Hypothesis **Ha**, is that there are differences between the expected numbers of choices for each rank, as proposed under **Ho**, and the observed frequencies and the differences are not merely chance variations to be expected in a random sample. The differences are statistically significant and indicate that the population sampled tend to disagree with the given statement.
- 3. Alternative Hypothesis **Hb**, is that there are differences between the expected numbers of choices for each rank, as proposed under **Ho**, and the observed frequencies and the differences are not merely chance variations to be expected in a random sample. The differences are

statistically significant and indicate that the population sampled tend to agree with the given statement.

In Summary:

Ho: Null Hypothesis is that college senior managers show no disagreement or agreement with the given statement as the frequency of their choices for each rank is not statistically significantly different from a proposed frequency of choices where those indicating 1 or 2 are equal to those indicating 4 or 5.

Ha: Alternative Hypothesis (a) is that college senior managers show disagreement with the given statement as the frequency of their choices for each rank is statistically significantly different from a proposed frequency of choices where those indicated 1 or 2 are equal in number to those indicating 4 or 5. In addition, the differences show that they disagree with the given statement in that there are more responses or 1 or 2 than there are 4 or 5 and the frequency of choices resembles the following distribution:

0	1	2	3	4	5
6	8	11	6	6	3

Hb: Alternative hypothesis (b) is that college senior managers show agreement with the given statement as the frequency of their choices for each rank is statistically significantly different from a proposed frequency of choices where those indicating 1 or 2 are equal in number to those indicating 4 or 5. In addition, the differences show that they agree with the given statement in that there are more responses of 4 or 5 than there are 1 or 2.

The frequency of choices in such circumstances resembles the following distribution:

0	1	2	3	4	5
6	3	6	6	11	8

The significance of the Kolomogorov-Smirnov One Sample Test for 40 respondents (N=40) at the 1% level (0.01) is calculated by the equation.

$$\frac{1.63}{\sqrt{N}} = \frac{1.63}{\sqrt{40}} = 0.257$$

The rejection region for each hypothesis consists of all values of the maximum deviation Ds, between the observed frequency of choices and the frequency of choices in the null and alternative hypotheses, which are so large that the probability associated with their occurrence is equal to or less than 0.01 (less than 1% probability)

Using the above parameter, the frequency of choices for each statement and each performance indicator was subject to the Kolomogorov-Smirnov One Sample Test and conclusions derived from the results. This test treats individual observations separately and thus, unlike the X² test of one sample, need not lose information through the combining of categories.

The analysis utilises the management by exception approach. If the null hypothesis could not be rejected then the questionnaire results could have been derived from a frequency of choices where there is no clear disagreement or agreement with the given statement. In such circumstances no comments will be made. If all three hypothesis are rejected then no comments will be made. Comments will be made where the null hypothesis Ho has been rejected and either Ha or Hb has been accepted. Comments are also made utilising the median (the middle response), the

mode (the most popular response), and interquartile range for significant responses to each statement.

The statistical analysis in the survey focuses on the degree of fit between three distributions, each of which supports one of the null hypotheses **Ho**, **Ha** or **Hb**. Comments are made on the extent to which the observed frequencies are likely to have occurred and on the relationship between the null hypotheses and these frequencies.

Section A: Matrix A The Purposes of Performance Indicators

Introduction

This matrix considers the views of college senior managers on the purposes of PIs by presenting twelve statements on potential purposes of PIs. College senior managers were asked to express their views in relation to each statement for each of the nine indicators preferred by the Scottish Office Education Department.

A1 This performance indicator clarifies college objectives

Student Programme Achievement Ratio (SPAR)

Median = 4 Mode = 4 Interquartile Range = 3-4

Student Achievement Ratio by Unit of Learning (SARU)

Median = 4 Mode = 4 Interquartile Range = 3-4

Post Course Success Ratio (PCSR)

Median = 4 Mode = 4 Interquartile Range = 3-4

Quality of Learning and Teaching Profile (QLT)

Median = 4 Mode = 4 Interquartile Range = 3-4

In relation to the above indicators:

The null hypothesis **Ho** was rejected;

The alternative hypothesis H_a was rejected;

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with statement A1 in relation to the above PIs. These indicators, according to college senior managers, clarify college objectives. There was no statistically significant data indicating whether or not the other indicators clarify college objectives.

A2 This performance indicator assists the evaluation of outcomes

Student Achievement Ratio by Unit of Learning (SARU)

Median = 4 Mode = 4 Interquartile Range = 3-4

Quality of Learning and Teaching Profile (QLT)

Median = 4 Mode = 4 Interquartile Range = 3-4

Unit Costs Profile (UCP)

Median = 4 Mode = 4 Interquartile Range = 3-4

Student Retention Ratio (SRR)

Median = 4 Mode = 4 Interquartile Range = 3-4

In relation to the above indicators:

The null hypothesis H_o was rejected;

The alternative hypothesis H_a was rejected;

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with statement A2 in relation to the above PIs. These indicators, according to college senior managers, assist the evaluation of outcomes.

A3 This performance indicator enables comparisons to be made between colleges

Student Achievement Ratio by Unit of Learning (SARU)

Median = 4 Mode = 4 Interquartile = 2-4

Client Satisfaction (CS)

Median = 4 Mode = 4 Interquartile = 2-4

Quality of Learning and Teaching Profile (QLT)

Median = 4 Mode = 4 Interquartile = 2-4

Unit Costs Profile (UCP)

Median = 4 Mode = 4 Interquartile Range = 2-5

Student Retention Ratio (SRR)

Median = 4 Mode = 4 Interquartile Range = 2-4

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;
The alternative hypothesis Hb could not be rejected.

Therefore I conclude that college senior managers agree with the statement A3 in relation to the above PIs. These indicators, according to college senior managers, enable comparisons to be made between colleges.

A4 This performance indicator allows comparisons to be made within a college

Client Satisfaction (CS)

Median = 4-5 Mode = 5 Interquartile = 4-5

Utilisation of Teaching Accommodation (UTA)

Median = 4 Mode =4 Interquartile Range = 4-5

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;
The alternative hypothesis Hb could not be rejected.

Therefore I conclude that college senior managers agree with the statement A4 in relation to the above PIs. These indicators, according to college senior managers, enable comparisons to be made within a college. The mode and interquartile range indicate strong agreement with the statement for these indicators.

A5 This performance indicator enables comparisons to be made over time

Utilisation of Teaching Accommodation (UTA)

Median = 4 Mode = 4 Interquartile Range = 2-5

In relation to the above indicator:
The null hypothesis Ho was rejected;
The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with the statement A5 in relation to the above performance indicator. This indicator, according to college senior managers, enables comparisons to be made over time.

A6 This performance indicator promotes cost effectiveness

There were no statistically significant results for this statement for any performance indicator.

A7 This performance indicator promotes quality
Student Retention Ratio (SRR)
Median = 4 Mode = 4 Interquartile Range = 3-4

In relation to the above indicator:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;
The alternative hypothesis Hs could not be rejected.
Therefore I conclude that college senior managers agree with the statement A7 in relation to the above performance indicator. This indicator, according to college senior managers, promotes quality.

A8 This performance indicator informs choices by clients
Post Course Success Ratio (PCSR)
Median = 4 Mode = 5 Interquartile Range = 2-5

In relation to the above indicator:
The null hypothesis Ho was rejected;
The alternative Ha was rejected;
The alternative Hb could not be rejected.

Therefore, I conclude that college senior managers agree with the statement A8 in relation to the above performance indicator. This indicator, according to college senior managers, informs choices by clients.

Unit Costs Profile (UCP)
Median = 1.5 Mode = 1 Interquartile Range = 1-2
Utilisation of Teaching Accommodation (UTA)
Median = 1.5 Mode = 1 Interquartile Range = 1-2

In relation to the above indicators:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a could not be rejected;

The alternative hypothesis H_b was rejected.

Therefore I conclude that college senior managers disagree with the statement A8 in relation to the above PIs. These indicators, according to college senior managers, do not inform choices by clients.

A9 This performance indicator assists external planning, funding and control

Student Programme Achievement Ratio (SPAR)

Median = 4 Mode = 4 Interquartile Range = 2-4

In relation to the above indicator:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a was rejected;

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with the statement A9 in relation to the above performance indicator. This indicator, according to college senior managers, assists external planning, funding and control.

A10 This performance indicator assists Internal planning, funding and control

Post Course Success Ratio (PCSR)

Median = 4 Mode = 4 and 5 Interquartile Range = 3-5

Student Retention Ratio (SRR)

Median = 3-5 Mode = 5 Interquartile Range = 2-5

In relation to the above indicators:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a was rejected;

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with statement A10 in relation to the above PIs. These indicators, according to college senior managers, assist internal planning, funding and control.

A11 This performance indicator is cost effective to use

Student Programme Achievement Ratio (SPAR)

Median = 4 Mode = 4 Interquartile Range = 3-5

Student Achievement Ratio by Unit of Learning (SARU)

Median = 4 Mode = 4 Interquartile Range = 3-4

Quality of Learning and Teaching Profile (QLT)

Median = 4 Mode = 4 and 5 Interquartile Range = 2-5

Median = 4 Mode = 4 Interquartile Range = 3-4

In relation to the above indicators:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a was rejected;

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with the statement A11 in relation to the above PIs. These indicators, according to college senior managers, are cost effective to use.

A12 This performance indicator acts as a diagnostic aid

Unit Costs Profile (UCP)

Median = 4 Mode = 4 Interquartile Range = 2-4

Utilisation of Teaching Accommodation (UTA)

Median = 4 Mode = 4 Interquartile Range= 3-4

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;
The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with statement A12 in relation to the above indicators. These indicators, according to college senior managers, act as diagnostic aids, identifying problems and indicating the action required.

Section B: Matrix B The Beneficiaries of Performance Indicators

Introduction

This matrix considers the views of college senior managers on the beneficiaries of PIs by presenting ten statements on various stakeholders. College senior managers were asked to respond to each statement in relation to each of the nine indicators preferred by the Scottish Office Education Department.

B1 The stakeholders who mainly benefit from this performance indicator are boards of management

Post Course Success Ratio (PCSR)

Median = 3 Mode = 3 Interquartile Range = 3-4

Quality of Learning and Teaching Profile (QLT)

Median = 3 Mode = 3 Interquartile Range = 3-4

Utilisation of Teaching Accommodation (UTA)

Median = 3 Mode = 3 Interquartile Range = 1-3

Student Retention Ratio (SRR)

Median = 3 Mode = 3 and 4 Interquartile Range = 3-4

In relation to the above indicators:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a was rejected for indicators PCSR, QLT and SRR;

The alternative hypothesis H_b could not be rejected for PCSR, QLT and SRR;.

Alternative hypothesis H_b was rejected for the indicator UTA.

The alternative hypothesis H_a could not be rejected for UTA.

Therefore, I conclude that college senior managers agree with statement B1 in relation to indicators PCSR, QLT and SRR. These indicators, according to college senior managers, benefit Boards of Management.

College senior managers disagreed with statement B1 in relation to the UTA indicator. This indicator, according to college senior managers, does not benefit Boards of Management.

B2 The stakeholders who mainly benefit from this performance Indicator are college senior managers (strategic managers)

There were no statistically significant results for this statement for any performance indicator as there was an even distribution of responses and opinion was therefore clearly divided.

B3 The stakeholders who mainly benefit from this performance Indicator are college managers (operational managers)

Unit costs profile (UCP)		
Median = 4	Mode = 4	Interquartile Range = 3-5
Utilisation of Teaching Accommodation (UTA)		
Median = 4	Mode = 4	Interquartile Range = 3-5

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;
The alternative hypothesis Hb could not be rejected.
Therefore, I conclude that college senior managers agree with statement B3 in relation to indicators UCP and UTA. These indicators, according to college senior managers, benefit college managers (operational managers)

B4 The stakeholders who mainly benefit from this performance Indicator are the SOED

Client Satisfaction (CS)		
Median = 4	Mode = 4 and 5	Inter quartile Range = 3-6
Utilisation of Teaching Accommodation (UTA)		
Median = 3	Mode = 5	Inter quartile Range = 2-5

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;
The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with statement B4

In relation to indicators CS and UTA. These indicators, according to college senior managers, benefit the SOEID (SOED at time of Survey).

B5 The stakeholders who mainly benefit from this performance Indicator are HM Inspectorate

Student Achievement Ratio by Unit of Learning (SARU)

Median = 4 Mode = 5 Inter quartile Range = 3-5

Utilisation of Teaching Accommodation

Median = 4 Mode = 4 and 5 Inter quartile Range = 3-5

In relation to the above indicators:

The null hypothesis Ho was rejected.

The alternative hypothesis Ha was rejected.

The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with Statement B5 in relation to indicators SARU and UTA. These indicators, according to college senior managers, benefit HM Inspectorate.

B6 The stakeholders who mainly benefit from this performance Indicator are LECs (local enterprise companies)

Student Programme Achievement Ratio (SPAR)

Median = 4 Mode = 5 Inter quartile Range = 3-4

Post Course Success Ratio (PCSR)

Median = 3-5 Mode = 3 and 5 Inter quartile Range = 3-5

Client Satisfaction (CS)

Median = 3 Mode = 3 Inter quartile Range = 3-4

Student Retention Ratio

Median = 3 Mode = 3 Inter quartile Range = 3-4

In relation to the above indicators:

The null hypothesis Ho was rejected;

The alternative hypothesis Ha was rejected;
The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with statement B6 in relation to the indicators SPAR, PCSR, CS and SRR. These indicators, according to college senior managers, benefit the local enterprise companies (LECs).

Utilising of Teaching Accommodation (UTA)		
Median = 3	Mode = 3	Inter quartile Range = 1-3
Staff Student Ratio (SSR)		
Median = 3	Mode = 3	Inter quartile Range = 1-3

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha could not be rejected;
The alternative hypothesis Hb was rejected.

Therefore, I conclude that college senior managers disagree with statement B6 in relation to indicators UTA and SSR. These indicators, according to college senior managers, do not benefit the local enterprise companies (LECs).

B7 The stakeholders who mainly benefit from this performance indicator are students

Student Retention Ratio (SRR)		
Median = 4	Mode = 4	Inter quartile Range = 3-4

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;
The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with statement B7 in relation to the SRR indicator. This indicator, according to college senior managers, benefits students.

Staff Student Ratio (SSR)

Median = 2.5 Mode = 3 Inter quartile Range = 1-3

In relation to the above indicators:

The null hypothesis Ho was rejected.

The alternative hypothesis Ha could not be rejected.

The alternative hypothesis Hb was rejected.

Therefore, I conclude that college senior managers disagree with statement B7 in relation to the SSR indicator. This indicator, according to college senior managers, does not benefit students.

B8 The stakeholders who mainly benefit from this performance indicator are employers

Post Course Success Ratio (PCSR)

Median = 4 Mode = 5 Inter quartile Range = 2-5

Student Retention Ratio (SRR)

Median = 3 Mode = 3 Inter quartile Range = 3-4

In relation to the above indicators:

The null hypothesis Ho was rejected;

The alternative hypothesis Ha was rejected;

The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with statement B8 in relation to indicators PCSR and SRR. These indicators, according to college senior managers, benefit employers.

Unit Costs Profile (UCP)

Median = 2 Mode = 1 Inter quartile Range = 1-3

Staff Student Ratio (SSR)

Median = 1.5 Mode = 1 Inter quartile Range = 1-3

In relation to the above indicators:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a could not be rejected;

The alternative hypothesis H_b was rejected.

Therefore, I conclude that college senior managers disagree with statement B8 in relation to indicators UCP and SSR. These indicators, according to college senior managers, do not benefit employers.

B9 The stakeholders who mainly benefit from this performance Indicator are employees

Student Programme Achievement Ratio (SPAR)

Median = 4 Mode = 5 Inter quartile Range = 2-5

Quality of Learning and Teaching Profile (QLT)

Median = 4 Mode = 4 and 5 Inter quartile Range = 3-5

In relation to the above indicators:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a was rejected;

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with statement B9 in relation to indicators SPAR and QLT. These indicators, according to college senior managers, benefit employees.

Unit Costs Profile (UCP)

Median = 2 Mode = 2 Inter quartile Range = 2-2

Staff Student Ratio (SSR)

Median = 2 Mode = 2 Inter quartile Range = 2-3

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha could not be rejected;
The alternative hypothesis Hb was rejected.

Therefore, I conclude that college senior managers disagree with statement B9 in relation to indicators UCP and SSR. These indicators, according to college senior managers, do not benefit employees.

B10 The stakeholders who mainly benefit from the performance indicator are SCOTVEC

Student Achievement Ratio by Unit of Learning (SARU)
Median = 4 Mode = 5 Inter quartile Range = 1-5

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;
The alternative hypothesis Hb could not rejected.

Therefore, I conclude that college senior managers agree with statement B10 in relation to the SARU indicator. This indicator, according to college senior managers, benefits SCOTVEC.

Staff Student Ratio (SSR)
Median = 1.5 Mode = 1
Inter quartile Range = 1-3

In relation to the above indicators:
The null hypothesis Ho was rejected.
The alternative hypothesis Ha could not be rejected.

The alternative hypothesis Hb was rejected.

Therefore, I conclude that college senior managers disagree with statement B10 in relation to the SSR indicator. This indicator, according to college senior managers, does not benefit SCOTVEC.

Section C: Matrix C The Acceptability of Performance Indicators

Introduction

This matrix considers the extent to which PIs are complementary to management in Scottish further education by making ten statements and asking for a response for each of the nine indicators preferred by the Scottish Office Education Department.

C1 This performance indicator is understood by management

Unit Cost Profile (UCP)

Median = 4 Mode = 4 Inter quartile Range = 3-4

Utilisation of Teaching Accommodation (UTA)

Median = 4 Mode = 4 Inter quartile Range = 3-4

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;
The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with statement C1 in relation to the above indicators. These indicators, according to college senior managers, are understood by management.

C2 This performance indicator is based on valid assumptions

Student Retention Ratio (SRR)

Median = 4 Mode = 4 Inter quartile Range = 2-5

In relation to the above indicator:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;
The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with statement C2 in relation to the SRR indicator. This indicator, according to college senior managers, is based on valid assumptions.

C3 This performance indicator is not over-elaborate or too complex

Student Programme Achievement Ratio (SPAR)

Median = 4 Mode = 5 Inter quartile Range = 3-5

Utilisation of Teaching Accommodation (UTA)

Median = 3 Mode = 3 Inter quartile Range = 3-4

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;
The alternative hypothesis Hb could not be rejected.
Therefore, I conclude that college senior managers agree with statement C3 in relation to indicators SPAR and UTA. These indicators, according to college senior managers, are not over-elaborate or too complex.

C4 This performance indicator has clear objectives

Utilising of Teaching Accommodation (UTA)

Median = 3.5 Mode = 4 Inter quartile Range = 3-4

In relation to the above indicator:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha was rejected;

The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with statement C4 in relation to indicator UTA. This indicator, according to college senior managers, has clear objectives.

C5 This performance indicator is supported by senior management

There were no statistically significant results for the statement for any performance indicator. There are therefore a variety of responses from senior managers to this statement.

C6 This performance indicator helps further education managers

There were no statistically significant results for this statement for any performance indicator. Perhaps the word 'help' does not accurately describe the college senior managers' views and this will be further explored in the interview programme.

C7 This performance indicator is consistent with further education values

Staff Student Ratio (SSR)

Median = 4 Mode = 3 Inter quartile Range = 3-4

Student Retention Ratio (SRR)

Median = 4 Mode = 4 Inter quartile Range = 3-4

In relation to the above indicators:

The null hypothesis Ho was rejected;

The alternative hypothesis Ha was rejected;

The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with statement C7 in relation to indicators SSR and SRR. These indicators, according to college senior managers, are consistent with further education values.

C8 This performance indicator is user friendly

Staff Student Ratio (SSR)

Median = 4 Mode = 3 Inter quartile Range = 3-4

Student Retention Ratio (SRR)

Median = 3 Mode = 3 Inter quartile Range = 3-4

In relation to the above indicators:
The null hypothesis Ho was rejected.
The alternative hypothesis Ha was rejected.
The alternative hypothesis Hb could not be rejected.

Therefore, I conclude that college senior managers agree with statement C8 in relation to indicators SSR and SRR. These indicators, according to college senior managers, are user-friendly.

C9 This performance indicator is compatible with college information systems

Post Course Success Ratio (PCSR)

Median = 2 Mode = 1 Inter quartile Range = 1-3

Utilisation of Teaching Accommodation (UTA)

Median = 2 Mode = 2 Inter quartile Range = 1-3

In relation to the above indicators:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha could not be rejected;
The alternative hypothesis Hb was rejected.

Therefore, I conclude that college senior managers disagree with statement C9 in relation to indicators PCSR and UTA. These indicators, according to college senior managers, are not compatible with college information systems.

C10 This performance indicator has been introduced more for the benefit of the SOED and the Government than for the benefit of further education managers

Student Programme Achievement Ratio (SPAR)

Median = 2 Mode = 2 Inter quartile Range = 1-3

Student Achievement Ratio by Unit of Learning (SARU)

Median = 2 Mode = 1 Inter quartile Range = 1-3

Client Satisfaction (CS)

Median = 2 Mode = 1 Inter quartile Range = 1-3

In relation to the above indicators:

The null hypothesis H_0 was rejected.

The alternative hypothesis H_a could not be rejected.

The alternative hypothesis H_b was rejected.

Therefore, I conclude that college senior managers disagree with statement C10 in relation to indicators SPAR, SARU and CS. These indicators, according to college senior managers, have not been introduced more for the benefit of the SOED and the Government than for the benefit of further education managers.

Unit Costs Profile (UCP)

Median = 3.5 Mode = 3 and 4

Inter quartile Range = 3-4

In relation to the above indicator:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a was rejected;

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with statement C10 in relation to the UCP indicator. This indicator, according to college senior managers,

was introduced more for the benefit of the SOED and the Government than for the benefit of further education managers.

Section D: Matrix D The PI Systems Implementation

Introduction

This matrix considers the way in which college senior managers perceive the introduction of the PIs system by making ten statements on the implementation of PIs in Scottish further education. College senior managers were asked to respond to each statement. There was no use made of the nine indicators preferred by the SOEID but use is made of the medians, modal responses and the interquartile ranges for supplementary comments.

D1 The performance indicator system in Scottish further education is supported by further education managers because they feel a sense of ownership of it

Median = 3.5

Mode = 4

Inter quartile Range = 2-4

In relation to this statement:

The null hypothesis H_0 was rejected:

The alternative hypothesis H_a was rejected;

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with the statement that the performance indicator system in Scottish further education is supported by further education managers because they feel a sense of ownership of it.

D2 The performance indicator system in Scottish further education has been developed with the active support of further education managers

Median = 3.5

Mode = 2 and 4

Inter quartile Range = 2-4

In relation to this statement:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a was rejected;

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with the statement that the performance indicator system in Scottish further education has been developed with the active support of further education managers.

D3 The performance indicator system in Scottish further education helps managers

There were no statistically significant results for this statement.

D4 The performance indicator system in Scottish further education is new and interesting

Median = 4 Mode = 4 Inter quartile Range = 3-4

In relation to this statement:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a was rejected;

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with the statement that the performance indicator system is new and interesting.

D5 The performance indicator system in Scottish further education maintains college autonomy and security

There were no statistically significant results for this statement. There is therefore a diverse range of views on college autonomy and security within further education management.

D6 The performance indicator system in Scottish further education takes into account the reservations, objections and fears of college staff

Median = 2 Mode = 2 Inter quartile Range = 2-2

In relation to the above statement:
The null hypothesis Ho was rejected;
The alternative hypothesis Ha could not be rejected;
The alternative hypothesis Hb was rejected.

Therefore, I conclude that college senior managers disagree with the statement. College senior managers believe that the performance indicator system in Scottish further education does not take into account the reservations, objections and fears of college staff.

D7 The performance indicator system in Scottish further education allows for feedback and modification in the future

Median = 3 Mode = 2 Inter quartile Range = 2-4

In relation to the above statement:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a could not be rejected;

The alternative hypothesis H_b was rejected.

Therefore, I conclude that college senior managers disagree with the statement. College senior managers believe that the PIs system in Scottish further education does not allow for feedback and modification in the future.

D8 The performance indicator system in Scottish further education has the trust and confidence of further education staff

There were no statistically significant results for this statement. There is therefore no consensus within Scottish further education management on this issue of trust and confidence in the PIs system

D9 The performance indicator system in Scottish further education has been introduced to support the political and economic objectives of the Government

Median = 4 Mode = 4 Inter quartile Range = 2-4

In relation to the above statement:

The null hypothesis H_0 was rejected;

The alternative hypothesis H_a was rejected;

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with the statement that the performance indicator system in Scottish further education has been introduced to support the political and economic objectives of the Government.

D10 The performance indicator system is complementary to the values of further education in Scotland

Median = 3.5 Mode = 3 and 4

Inter quartile Range = 3-4

In relation to the above statement:

The null hypothesis H_0 was rejected.

The alternative hypothesis H_a was rejected.

The alternative hypothesis H_b could not be rejected.

Therefore, I conclude that college senior managers agree with the statement that the performance indicator system is complementary to the values of further education in Scotland.

APPENDIX 2: SENIOR MANAGEMENT QUESTIONNAIRE

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PERFORMANCE INDICATORS IN SCOTTISH FURTHER EDUCATION

A SURVEY

INTRODUCTION

The purpose of this survey is to obtain the views of further education managers on the suite of performance indicators (P.I.s) used in Scottish Further Education. The questionnaire is directed at managers with knowledge and experience of the performance (P.I.s) recommended by the SOED in 'Measuring Up', 'Quality and Efficiency' and in Circular (FE 14/95).

INSTRUCTIONS

The questionnaire makes use of four matrices. In matrices A,B and C you are asked to respond to statements relating to the listed performance indicators. In matrix D you are asked to consider the P.I system as a whole. You should respond, within each matrix, by entering a number between 0 and 5 which corresponds to your view on each statement for each indicator.

The numbers 0 to 5 correspond to the following views:

0 - Don't Know

1 - Strongly Disagree

2 - Disagree

3 - Neither Disagree nor Agree

4 - Agree

5 - Strongly Agree

The selected performance indicators for matrices A-C are:

Student Programme Achievement Ratio	SPAR
Student Achievements Ratio by Unit of Learning	SARU
Post-Course Success Ratio	PCSR
Client Satisfaction	CS
Quality of Learning and Teaching	QLT
Unit Costs Profile	UCP
Utilisation of Teaching Accommodation	UTA
Staff Student Ratios	SSR
Student Retention Ratio	SRR

For a full analysis of the responses it is necessary to have some information about the person completing the questionnaire and about his/her college Please provide brief details below:

Job Title:..... When Appointed to Post:.....

Former Education Authority of College:.....

Sex M/F:..... Age:.....

College FTE Students (Approx):..... College FTE Teaching Staff (Approx):.....

College FTE Support Staff (Approx):..... College Budget (Approx):.....

Would you describe your college as a Community College?	Y/N
Would you describe your college as a National or Regional College?	Y/N
Would you describe your college as a Further and Higher Education College?	Y/N
Does your college have any formal links to a Higher Education Institution?	Y/N

(Enter a number 0-5 in each box)

[illegible]

MATRIX B

Beneficiaries of Performance Indicators
(Enter a number 0-5 in each box)

[illegible]

MATRIX C

Acceptability of Performance Indicators (Enter a number 0-5 in each box)

[illegible]

MATRIX D

The P.I Systems Implementation (Enter a number 0-5 in each box)

The P.I system in Scottish F.E	Response
D1. is supported by F.E managers because they feel a sense of ownership of it	
D2. has been developed with the active support and participation of F.E managers	
D3. helps managers	
D4. is new and interesting	
D5. maintains college autonomy and security	
D6. takes into account the reservations, objections and fears of college staff	
D7. allows for feedback and modification in the future	
D8. has the trust and confidence of F.E staff	
D9. has been introduced to support the political objectives and economic objectives of the government	
D10. is complimentary to the values of further education in Scotland	

Please add any general comments on the performance indicators system or on specific indicators in Scottish Further Education.

Thank you for your co-operation in completing this questionnaire. Could you please return the completed questionnaire to:

Bobby Mackie
Glasgow Caledonian University
Quality Enhancement Department
3rd Floor
St Andrew House
141 West Nile Street
Glasgow, G1 2RN

TEL: 0141 331 1271
FAX: 0141 332 8214

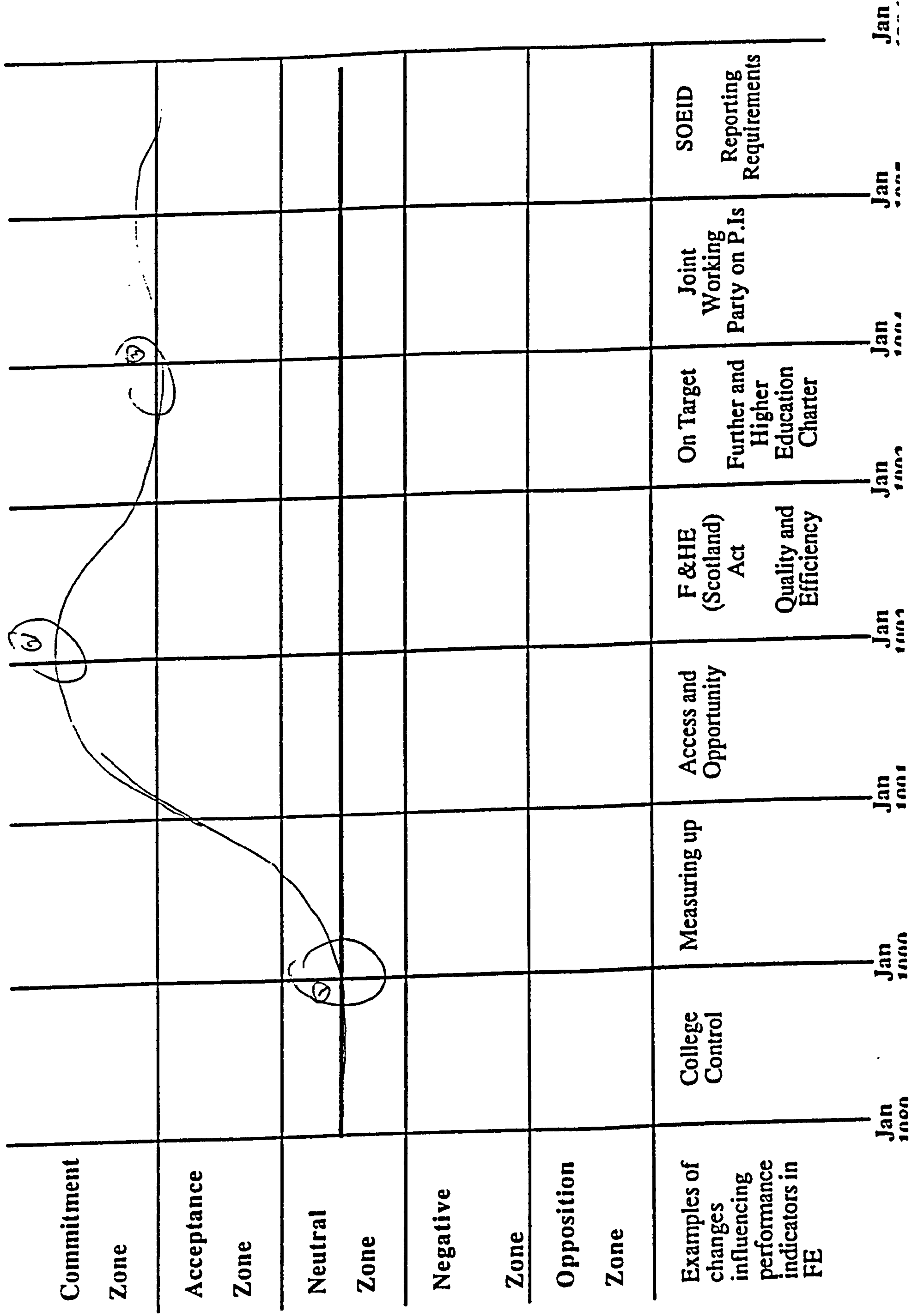
If possible by Monday 16th October 1995. I will circulate a summary of my findings free of charge.

APPENDIX 3: SNR. MANAGEMENT REFLECTIVE ATTITUDE MATRICES

TEXT BOUND INTO THE SPINE

IN SCOTTISH FURTHER EDUCATION

Instructions: Begin on the left at 1989 and trace your attitude to performance indicators in Scottish Further Education from 1989 - 1996



APPENDIX 4: OPERATIONAL MANAGERS SURVEY

Performance Indicators and the Management of FE in Scotland A Survey of PI Users

Introduction

The purpose of this survey is to complement the Management Survey conducted in 1997 by asking a set number of questions on PIs and the changing nature of management in Scottish FE. The end result of this research will be a comprehensive longitudinal study of Scottish FE over a 10-year period 1990-2000. The Survey is in two parts; **Part I** is a questionnaire and **Part II** is a graphical Reflective Attitude Matrix (RAM) supplemented by a few qualitative questions.

Respondents Details

Please complete in as much detail as you wish.

Name	Employer/College
Job Title (if applicable)	Experience of FE (Years)

Part I Questionnaire

Rank the top five groups in questions 1 and 2 by placing 1 by the option which benefits most from PIs (Q.1) or has had the greatest influence on the PI system (Q.2), 2 by the next and so on. Indicate the ranking by entering the appropriate number in the bracket.

1. **The main beneficiaries of PIs are:**
The Scottish Executive () HMI () SFEFC () Boards of Management () SQA ()
Scottish Enterprise () College Management () Staff () Students () Employers ()
2. **The most significant influence on changes to the FE PI system have been:**
The changing external environment of FE () Changes in FE Funding ()
College Incorporation () HMI Reports () college experience () Stakeholder Pressures ()
SQA influence () Scottish Enterprise influence () Changing problems facing FE ()
Changes in FE colleges () Changes in other colleges () Benchmarking () National Audit
Office requirements () Changing Political directions () Public policy changes () changing
FE values ()

For each of the following (Q. 3-11), indicate thus (x) the ONE option which best reflects your perception of PIs.

3. **Reflecting on your personal experience, classify college performance indicators system according to the extent to which it fully complies with the SFEFC Guidelines as follows:**
Complies Exactly () Mainly Complies () Partly Complies () Mainly Bespoke () Wholly
Bespoke ()
4. **PI Use in colleges:** planning () monitoring () reviewing () evaluating ()
5. **Purpose of PI:** describes current status () raw data () information ()
to prompt further investigation ()
6. **Suitability of PI System:** Suitable to FE () Not suitable to FE ()
7. **Feasibility of PI System:** Realistic Demands () Unrealistic Demands ()
8. **Acceptability of PI System:** to Management () to Staff () to Clients () to Others ()
9. **Utility of PIs:** No use () Limited () Useful () Essential ()
10. **College Consequences of PIs:** learning () reflection () blame () action () inaction ()

- 11. What are the current trends in PI systems ?** more information for Govt. and its agencies ()
more information for managers () more information for students () more information for clients ()
- 12. Which of the Performance Indicators in FE Starter Set would you change ?**
- 13. Why would you change one or more of these PIs ?**
- 14. Is it possible to have one set of performance indicators for all Scottish colleges ?**
Yes/NO
- 15. If not, why not ?**
- 16. What is the most useful PI from the perspective of:**
- | | |
|-----------------------------------|--------------------------------------|
| Government: | SFEFC: |
| HMI: | Boards of Management: |
| College Senior Management: | College Operational Managers: |
| Other Staff: | Students: |
| Employers: | SQA: |
| Scottish Enterprise: | Parent/Guardians of Students: |
| Local politicians: | Other Stakeholders: |
- 17. If prescribed PIs are part of public policy for FE, what are the public policy objectives of PIs ?**
- 18. Are the PIs of 'Measuring Up' and Circulars (FE) 14/95 and (FE) 10/96 still relevant to the FE environment of 2000?**
- 19. If prescribed PIs are part of public policy for FE, has policy execution at college level differed from policy specification through FE Circulars from the SOEID and the Scottish Executive ?**
- 20. In your opinion, who has been responsible for initiating the changes in the PI system at college level ?**
- 21. Why have these changes been initiated ?**

APPENDIX 5: OTHER REFLECTIVE ATTITUDE MATRICES

Part II: Reflective Attitude Matrices (RAMs)

In each matrix, **draw a line from left to right** that best represents your attitude over the period 1990-2000 to the given statement. Comment on each matrix as you wish explaining reasons why your attitude may have changed over the period in question. The responses are Strongly Agree (SA), Agree (A), Neither Agree nor Disagree (NAD), Disagree (D), Strongly Disagree (SD), Don't Know (DK).

1. Central Government has benefited most from performance indicators in Scottish FE.

SA _____

A _____

NAD _____

D _____

SD _____

DK _____

90 91 92 93 94 95 96 97 98 99 2000
Comments on matrix 1:

2. College Management has benefited most from performance indicators in Scottish FE.

SA _____

A _____

NAD _____

D _____

SD _____

DK _____

90 91 92 93 94 95 96 97 98 99 2000
Comments on matrix 2:

3. Students and clients have benefited most from performance indicators in Scottish further education

SA _____

A _____

NAD _____

D _____

SD _____

DK _____

90 91 92 93 94 95 96 97 98 99 2000
Comments on matrix 3:

4. The PI System has been effectively implemented.

SA

A

NAD

D

SD

DK

	90	91	92	93	94	95	96	97	98	99	2000
Comments on matrix 4:											

Any further comments on performance indicators and the management of further education in Scotland 1990-2000:

QUALITATIVE QUESTIONS

What have been the effects and consequences of the changes in Scottish FE over the last 10 years ?

Who, in your opinion, has benefited most from performance indicators in Scottish further education ?

What, in your opinion, is the main weakness of the PI system ?

What in your opinion is the main strength of the PI system ?

What could be done to make the PI system more effective ?

Why has it taken so long to establish a PI system for Scottish FE ?

Signed:

Date:

**Thank you in anticipation of your co-operation.
Return to: Bobby Mackie,
Division of Management,
Glasgow Caledonian University,
Cowcaddens Road,
Glasgow G4 0BA**

APPENDIX 6: STAKEHOLDER INTERVIEWS

A: Performance Indicators in FE as Performance Governance

This section considers performance indicators in FE as tools of Government used in order to promote government policy in relation to control over public expenditure, education policy, economic policy, social policy and to enhance the accountability of the FE system. The FE Funding Council is in part responsible for the governance of the FE system.

1. PIs have been introduced to promote control over public expenditure.
SA—A—NAD—D—SD—DK
2. PIs have been introduced to promote control over education policy.
SA—A—NAD—D—SD—DK
3. PIs have been introduced to promote control over economic policy.
SA—A—NAD—D—SD—DK
4. PIs have been introduced to promote control over social policy.
SA—A—NAD—D—SD—DK
5. PIs have been introduced to promote greater FE accountability.
SA—A—NAD—D—SD—DK
6. PIs have been introduced to improve control over FE expenditure.
SA—A—NAD—D—SD—DK
7. PIs have been introduced to reduce the real cost of FE provision.
SA—A—NAD—D—SD—DK
8. PIs have been introduced to improve the efficiency of FE provision.
SA—A—NAD—D—SD—DK
9. PIs have been introduced to improve value for money in FE.
SA—A—NAD—D—SD—DK
10. PIs have been introduced to promote 'Best Value' in FE provision.
SA—A—NAD—D—SD—DK

B: Performance Indicators in FE as Performance Management

This section considers performance indicators as tools of managers used in order to enhance the effectiveness of colleges in meeting their objectives.

1. PIs have been introduced to improve development planning.
SA—A—NAD—D—SD—DK
2. PIs have been introduced to improve executive decision-making.
SA—A—NAD—D—SD—DK
3. PIs have been introduced to improve strategic management.
SA—A—NAD—D—SD—DK
4. PIs have been introduced to improve operational management.
SA—A—NAD—D—SD—DK
5. PIs have been introduced to improve managerial monitoring systems.
SA—A—NAD—D—SD—DK
6. PIs have been introduced to improve managerial review systems.
SA—A—NAD—D—SD—DK
7. PIs have been introduced to improve managerial evaluation systems.
SA—A—NAD—D—SD—DK
8. PIs have been introduced to improve control over college performance.
SA—A—NAD—D—SD—DK
9. PIs have been introduced to improve control over college sub-sections.
SA—A—NAD—D—SD—DK
10. PIs have been introduced to improve control over college staff.
SA—A—NAD—D—SD—DK

C: Performance Indicators in FE as Consumerism and Quality

This section considers performance indicators as tools of students, clients and consumers; used in order to inform and empower these groups.

1. PIs have been introduced to inform college selection decisions. SA—A—NAD—D—SD—DK
2. PIs have been introduced to inform programme selection decisions. SA—A—NAD—D—SD—DK
3. PIs have been introduced to provide information to students. SA—A—NAD—D—SD—DK
4. PIs have been introduced to provide information on college efficiency. SA—A—NAD—D—SD—DK
5. PIs have been introduced to aid college marketing. SA—A—NAD—D—SD—DK
6. PIs have been introduced to improve the quality of college resources. SA—A—NAD—D—SD—DK
7. PIs have been introduced to improve the learning and teaching process. SA—A—NAD—D—SD—DK
8. PIs have been introduced to improve the output of colleges. SA—A—NAD—D—SD—DK
9. PIs have been introduced to improve college effectiveness. SA—A—NAD—D—SD—DK
10. PIs have been introduced to improve the contribution of FE to society. SA—A—NAD—D—SD—DK

D: Performance Indicators in FE as Stakeholder Empowerment

This section considers the proximate stakeholders (employees, students and other direct clients and customers) and other stakeholders (those groups with an interest in further education provision).

1. PIs in FE have been introduced for the benefit of college employees. SA—A—NAD—D—SD—DK
2. PIs in FE have resulted in enhanced staff morale in FE. SA—A—NAD—D—SD—DK
3. PIs in FE have been welcomed by further education trade unions. SA—A—NAD—D—SD—DK
4. PIs in FE have been welcomed by employers associations. SA—A—NAD—D—SD—DK
5. PIs in FE have been welcomed by the Scottish Qualifications Agency. SA—A—NAD—D—SD—DK
6. PIs in FE have been welcomed by Scottish Enterprise. SA—A—NAD—D—SD—DK
7. PIs in FE have been welcomed by Her Majesty's Inspectorate of Schools. SA—A—NAD—D—SD—DK
8. PIs in FE have been welcomed by Scottish local authorities. SA—A—NAD—D—SD—DK
9. PIs in FE have been welcomed by the Scottish Careers Service. SA—A—NAD—D—SD—DK
10. PIs in FE have been welcomed by the Scottish universities. SA—A—NAD—D—SD—DK

APPENDIX 7: CITY COLLEGE INTERVIEWS AND FOCUS GROUPS

Who, in your opinion, has benefited from performance indicators in Scottish further education ?

Who, in your opinion, has benefited most from performance indicators in Scottish further education ?

Who, in your opinion, has benefited from funding and management changes in Scottish further education ?

Who, in your opinion, has benefited most from funding and management changes in Scottish further education ?

What, in your opinion, have been the most important changes in Scottish further education over the last 10 years ?

What have been the effects and consequences of these changes ?